ALKHABEER CAPITAL
(A SAUDI CLOSED JOINT STOCK COMPANY) AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company)

Opinion
We have audited the consolidated financial statements of Alkhabeer Capital (A Saudi Closed Joint Stock Company) and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants. ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *'Auditor's Responsibilities for the Audit of the consolidated Financial Statements'* section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and the Parent Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Alkhabeer Capital (A Saudi Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

20 Rajab 1440H
27 March 2019

Jeddah

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	***31 December 2018 SR '000***	*31 December 2017 SR '000* (Note 5)	*1 January 2017 SR '000* (Note 5)
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	**22,390**	33,909	155,189
Current portion of Murabaha placements	7	**120,500**	65,039	-
Accounts receivable, prepayments and other receivables	8	**80,235**	111,325	28,106
Due from related parties	9	**88,170**	45,486	116,960
Financial assets at fair value through profit or loss	10	**1,380,362**	1,330,406	1,267,634
Investment property	29	**147,538**	-	-
Assets held for distribution	30	**-**	-	229
TOTAL CURRENT ASSETS		**1,839,195**	1,586,165	1,568,118
NON-CURRENT ASSETS				
Murabaha placements	7	**41,200**	112,500	-
Property and equipment	11	**47,160**	46,833	43,495
TOTAL NON-CURRENT ASSETS		**88,360**	159,333	43,495
TOTAL ASSETS		**1,927,555**	1,745,498	1,611,613
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Due to related parties	9	**-**	-	84,000
Accounts payables, accrued and other liabilities	12	**222,276**	133,539	116,098
Current portion of Murabaha contracts	13	**247,050**	292,737	327,440
Current portion of sharia compliant financing	14	**126,500**	51,500	14,000
TOTAL CURRENT LIABILITIES		**595,826**	477,776	541,538
NON-CURRENT LIABILITIES				
Murabaha contracts	13	**240,900**	135,500	95,000
Sharia compliant financing	14	**93,898**	179,803	83,158
Employees' terminal benefits	15	**11,504**	10,633	11,275
TOTAL NON-CURRENT LIABILITIES		**346,302**	325,936	189,433
TOTAL LIABILITIES		**942,128**	803,712	730,971
SHAREHOLDERS' EQUITY				
Share capital	18	**813,203**	813,203	813,203
Statutory reserve	19	**35,574**	30,047	23,933
Retained earnings		**136,076**	98,536	43,506
Actuarial gain, net	15	**574**	-	-
TOTAL SHAREHOLDERS' EQUITY		**985,427**	941,786	880,642
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,927,555**	1,745,498	1,611,613

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	***2018 SR '000***	*2017 SR '000 (Note 5)*
INCOME			
Gain from investments at fair value through profit or loss, net	10	**102,686**	112,250
Fee income	20	**64,515**	53,748
Dividend income		**19,789**	21,323
Income from Murabaha placements		**1,223**	158
TOTAL OPERATING INCOME		**188,213**	187,479
OPERATING EXPENSES			
Selling and marketing	21	**(9,177)**	(6,674)
General and administrative	22	**(89,637)**	(85,531)
TOTAL OPERATING EXPENSES		**(98,814)**	(92,205)
NET OPERATING INCOME		**89,399**	95,274
Murabaha and financing expenses		**(33,892)**	(34,141)
Other income		**1,353**	11
PROFIT FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		**56,860**	61,144
Zakat and income tax	5 & 16	**(1,595)**	(2,196)
PROFIT AFTER ZAKAT AND INCOME TAX		**55,265**	58,948
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to the profit or loss			
Gain on re-measurement of employees' terminal benefits	15	**574**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**55,839**	58,948
BASIC AND DILUTED EARNINGS PER SHARE			
Weighted number of outstanding shares (in thousands)	18	**81,320**	81,320
Attributable to net operating income (in SR)	31	**1.10**	1.17
Attributable to profit after zakat and income tax (in SR)	5 & 31	**0.68**	0.72

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Share capital SR '000	*Statutory reserve SR '000*	*Retained earnings SR '000*	*Actuarial valuation reserve SR '000*	***Total SR '000***
Balance as at 1 January 2017 (note 5)	813,203	23,933	43,506	-	**880,642**
Profit before zakat and tax	-	-	61,144	-	**61,144**
Zakat and income tax	-	-	2,196	-	**2,196**
Zakat and income tax reimbursable	-	-	(2,196)	-	**(2,196)**
Total comprehensive income for the year	-	-	61,144	-	**61,144**
Transfer to statutory reserve	-	6,114	(6,114)	-	**-**
Balance at 31 December 2017	813,203	30,047	98,536	-	**941,786**
Profit before zakat and tax	-	-	56,860	-	**56,860**
Zakat and income tax	-	-	(1,595)	-	**(1,595)**
Other comprehensive income (note 15)	-	-	-	574	**574**
Total comprehensive income for the year	-	-	55,265	574	**55,839**
Transfer to statutory reserve	-	5,527	(5,527)	-	**-**
Dividend (note 17)	-	-	(12,198)	-	**(12,198)**
Balance at 31 December 2018	**813,203**	**35,574**	**136,076**	**574**	**985,427**

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	*2018* *SR '000*	*2017* *SR '000*
OPERATING ACTIVITIES			
Profit for the year before zakat and income tax		**56,860**	61,144
Adjustments for:			
Unrealised loss on investments		**30,269**	44,703
Realised gains on investments		**(132,955)**	(156,953)
Depreciation	11	**3,459**	3,116
Provision for employees' terminal benefits	15	**2,476**	2,472
Allowance for accounts receivable	8	**-**	(742)
Unearned dividend		**-**	(4,901)
Cost incurred in relation to dissolution		**-**	60
Gain on disposal of property and equipment		**(2)**	(11)
Operating loss before changes in operating assets and liabilities		**(39,893)**	(51,112)
Changes in operating assets and liabilities			
Accounts receivable, prepayments and other receivables, net		**31,090**	(2,721)
Due from related parties		**(42,684)**	32,474
Accounts payable, accrued and other liabilities		**16,156**	39,838
Due to related parties		**-**	(84,000)
Purchase of financial assets at FVTPL	10	**(147,880)**	(149,863)
Proceeds from disposal of financial assets at FVTPL		**124,058**	160,781
Cash used in operations		**(59,153)**	(54,603)
Employees' terminal benefits paid	15	**(1,031)**	(3,114)
Net cash used in operating activities		**(60,184)**	(57,717)
INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(3,788)**	(6,481)
Proceeds from disposal of property and equipment		**4**	38
Net movement in Murabaha placements	7	**15,839**	(177,539)
Net cash from/(used in) investing activities		**12,055**	(183,982)
FINANCING ACTIVITIES			
Murabaha contracts	13	**59,713**	5,797
Sharia compliant financing	14	**(10,905)**	134,145
Cash received from a subsidiary, net		**-**	169
Dividends paid	17	**(12,198)**	(19,692)
Net cash from financing activities		**36,610**	120,419
Net decrease in cash and cash equivalents		**(11,519)**	(121,280)
Cash and cash equivalents at the beginning of the year		**33,909**	155,189
Cash and cash equivalents at the end of the year	6	**22,390**	33,909
NON CASH SUPPLEMENTARY INFORMATION			
In-kind investment in funds and companies		**-**	544,783
Receivable against investments sold		**-**	77,560
Investment sold against payable	10	**39,000**	-
Payable against investment purchased during the year	12	**109,986**	39,000
Investment property transferred	29	**147,538**	-

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND ACTIVITIES

AlKhabeer Capital ("AKC", or " the Parent Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030177445 dated 14 Rabi Awal 1429H (corresponding to 22 March 2008). The Commercial Registration of the Parent Company was amended on 14 Shawal 1430H (corresponding to 5 October 2009) by virtue of which the name of the Parnet Company was amended from AlKhabeer Merchant Finance Corporation to AlKhabeer Capital.

The Commercial Registration of the Parent Company was amended on 7 Shawal 1432H corresponding to 5 September 2011 by increasing the share capital from SR 424,933,820 (42,493,382 shares of SR 10 each) to SR 813,202,930 (81,320,293 shares of SR 10 each). The Parent Company is owned 98.43% by Saudi shareholders and 1.57% by foreign shareholders (31 December 2017 and 1 January 2017: same).

The Parent Company is engaged in the following activities in accordance with the Capital Market Authority's Resolution no. H/T/919 dated 3 Rabi a' Thani 1429H (corresponding to 9 April 2008) and License No. 07074-37:

a) Arranging,
b) Managing,
c) Advising,
d) Custody,
e) Underwriting, and
f) Dealing as principal.

The Parent Company's registered office is located at the following address:

AlKhabeer Capital
Al-Madina Road, P.O. Box 128289
Jeddah
Saudi Arabia

As at 31 December 2018, the Parent Company operates through a branch with commercial registration 1010439273 registered in Riyadh (31 December 2017 and 1 January 2017: same).

The Parent Company has investment in Alkhabeer Capital DIFC ('the Subsidiary') which is 100% owned by the Parent Company and was established on 24 November 2016 in United Arab Emirates (UAE), under commercial registration number 2327 issued in accordance with DIFC Law No. 02 of 2009. Dubai Financial Services Authority (DFSA) on 9 February 2017 granted the license to the Subsidiary to operate as an authorised firm and carry out financial services in respect of advising on financial products, arranging deals in investments, managing assets, arranging custody, arranging credit and advising credits.

These consolidated financial statements include the financial statements of the Parent Company and the subsidiary collectively referred to as "the Group".

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). The Group has prepared on 31 December 2018 its first annual consolidated financial statements in accordance with "First-time Adoption of International Financial Reporting Standards" ("IFRS 1") as endorsed in KSA. Refer to note 5 for information on the first time adoption of IFRS that are endorsed in KSA, by the Group.

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss.

2.3 Functional and presentation currency

These consolidated financial statements have been presented in Saudi Riyals (SR) which is the Group's functional and presentation currency of the Group. Financial information, presented in Saudi Riyals, has been rounded off to the nearest thousand unless otherwise stated.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods. Actual results may differ from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in these consolidated financial statements:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, these consolidated financial statements have been prepared on a going concern basis.

Deferred taxes

Deferred tax assets / liabilities are recognised for temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when these consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value estimation of financial assets at fair value through profit or loss

Management uses a standard and consistent valuation technique to ascertain the fair values. In the majority of cases, management uses the reported net asset values (NAV) of the investee funds as their fair valuation. If necessary, adjustments to the NAV are made to obtain the best estimate of fair value. In case NAV is not readily available, the valuation is based on management's best estimate considering recent purchase or sale transactions, available financial information or other suitable indicators of the fair value.

Impairment charge for expected credit losses of financial assets

The Group uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's financial assets is disclosed in note 23.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Useful lives of property and equipment
The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Actuarial valuation of employees' end of service benefits
The cost of the employees' end of service benefit plan under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Provisions
Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Investment entity
An investment entity is an entity that: (a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group meets the definition and typical characteristics of an "investment entity". An investment entity is required to account for its investments in subsidiaries and associates at fair value through consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at 1 January 2017 for the purposes of transition to IFRS as endorsed in KSA, except for the application of available exemptions as stipulated in IFRS 1. Details of such exemptions are disclosed in note 5.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

AlKhabeer Capital has multiple unrelated investors and holds multiple investments (in various funds managed by the Group). Ownership interests in the Group are in the form of ordinary shares. The Parent has been deemed to meet the definition of an investment entity as per IFRS 10 "Consolidated Financial Statements" (note 5) as the following conditions exist;

a) The Group has obtained funds for purpose of providing investors with professional investment management services.
b) The Group's business purpose, is investing for capital appreciation and investment income
c) The investments are measured and evaluated on a fair value basis.

Since the Group meets the definition of an investment entity as per the guidance given in IFRS 10 "Consolidated Financial Statements" (note 3), it is exempted from consolidating the underlying funds and from the application of IFRS 3 "Business Combinations" when it obtains control of another entity. Such unconsolidated funds are instead measured by the Group as financial asset at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments".

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.2 Foreign currencies

Transactions in foreign currencies are initially recorded by the Group in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as other comprehensive income (OCI) until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

3.3 Current versus non-current classification

Assets
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:
- Expected to be realised or sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

3.4 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each consolidated statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Fair value measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.5 Impairment of financial and non-financial assets

Financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing SOCPA GAAP’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. For accounts receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due from the payment terms which varies contract to contract. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Impairment of financial and non-financial assets (continued)

Non-financial assets (continued)
Impairment losses are recognised in the consolidated statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.6 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise balances with banks, cash on hand, and short term Murabaha placements, with original maturities of 90 days or less three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, cash and short-term Murabaha placements as defined above.

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
The Group’s financial assets consist of cash and bank balances, Murabaha placements accounts receivable, investments at fair value through profit or loss, due from related parties and financial liabilities consist of Murabaha contracts, Sharia compliant financing and accounts and other payables. Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of accounts receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and profit (SPPP)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through OCI (FVOCI)
c) Financial assets at fair value through profit or loss (FVTPL)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

i) Financial assets (continued)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective profit rate (EPR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and other receivables.

b) Financial assets at fair value through OCI

Debt instruments

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

For debt instruments at fair value through OCI, profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group has not designated any debt instrument at fair value through OCI.

Equity instruments

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group has not designated any equity instrument at fair value through OCI.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidatedd embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss. Financial assets classified as fair value through profit or loss comprise investments in a short term discretionary portfolio and funds managed by the Group, are acquired principally for the purpose of selling or repurchasing in the short term.

For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the underlying Net Asset Value (NAV) of the funds which is reflective of the fair value of these securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

i) Financial assets (continued)

Business model assessment

The Group makes an assessment of the objective of a business model under which an asset is held, at the Group level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the fund and the operation of those policies in practice. In particular, whether these assets are for earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the fund is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amotised cost. All financial liabilities are recognised initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs. The Group's financial liabilities include accounts payable, related parties and other liabilities, Shairah compliant financing and Murabaha contracts.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EPR method. Gains and losses as a result of unwinding of profit cost through EPR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included as finance costs in the consolidated statement of profit or loss.

iii) Derecognition

Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using cost model.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement for profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.9 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Freehold land and capital work in progress are not depreciated. The cost less estimated residual value of other property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements/assets are depreciated on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease.

Expenditure for repairs and maintenance are charged to income. Improvements that increase the value or materially extend the life of the related assets are capitalized. Gains or losses on sale or retirement of property and equipment are included in the consolidated statement of profit or loss.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Building	25
Leasehold improvements	4 and 11
Office and computer equipment	3-4
Furniture and fixtures	4
Vehicles	5

3.10 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

3.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

3.13 Employees' benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net profit expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net profit expense and other expenses related to defined benefit plans are recognised in employee costs in the consolidated statement of profit or loss.

3.14 Revenue recognition

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Group when those inflows result in increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at fair value of consideration received or receivable. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Group, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Group has applied IFRS 15 Revenue from Contracts with Customers for accounting of revenue. The core principle of the IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 requires that entities apply a five-step model to determine when to recognize revenue and at what amount.

- Step:1 Identify the contract with the customer
- Step:2 Identify the performance obligations in the contract
- Step:3 Determine the transaction price
- Step:4 Allocate the transaction price to the performance obligations in the contract
- Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied i.e. when control of the services pertaining to the respective performance obligation is transferred to the customer.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Revenue recognition (continued)

The specific recognition criteria described below must also be met before revenue is recognised.

- Fixed fees received under financial services agreements are non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestones have been met or the agreement is terminated.
- Success fees are recognized when the related financing has been successfully raised for the client.
- Management and custody fees are recognized on a time apportioned basis.
- Finance income on Murabaha placements is recognised on a time apportioned basis, in accordance with the contracted terms.
- Dividend income is recognised when the right to receive payment is established.

3.15 Expenses

Selling and distribution expenses are those that specifically relate to marketing expenditure. All other expenses are classified as general and administration expenses.

3.16 Zakat and Income Tax

Parent Company

Zakat
Zakat and income tax are provided for in accordance with Saudi Arabian fiscal regulations and charged to the statements of profit or loss. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

As the shareholders have agreed that they will reimburse the Group for tax and zakat charges, in the future appropriations, no adjustments are made in the consolidated financial statements to account for the effects of deferred income taxes.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Zakat and income tax (continued)

Deferred income tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Subsidiary

As the Subsidiary is incorporated in UAE, no zakat or income tax is payable by the subsidiary.

3.17 Dividend distributions

The Group recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Group. The corresponding amount is directly recognized in the consolidated statement of changes in equity.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of reporting of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

4.1 IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the profit expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

4.1 IFRS 16 Leases (continued)
Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Management is in the process of assessing the optional impact of IFRS 16 on the reporting amounts.

4.2 Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and profit on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

4.3 Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The amendment to IFRS 10 and IAS 28 has no impact on the Group.

4.4 Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net profit, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, profit or settlements of the Group.

4.5 Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations - The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements - A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Group does not expect any effect on its consolidated financial statements.

IAS 23 Financing Costs - The amendments clarify that an entity treats as part of general financing any financing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to financing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. This interpretation has no impact on the Group.

5 FIRST-TIME ADOPTION OF IFRS

For all years up to and including the year ended 31 December 2017, the Group prepared its consolidated financial statements in accordance with Generally Accepted Accounting Principle (GAAP) issued by SOCPA in KSA ("SOCPA GAAP"). These are the Group's first consolidated financial statements in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" that are endorsed in KSA.

Accordingly, the Group has applied the IFRS as endorsed in KSA for preparation of its consolidated financial statements for the year beginning 1 January 2017, as well as for presenting the relevant comparative data. In compliance with requirements of IFRS 1 as endorsed in KSA, the Group's opening consolidated statement of financial position as at 1 January 2017 was prepared to reflect the transition to IFRS as endorsed in KSA from the previous SOCPA GAAP. The Group has analyzed the impact on the consolidated statement of financial positions as at 1 January 2017 and 31 December 2017 and there were no material adjustments required to be made except for change in accounting policy to classify zakat and income tax charge for the year from consolidated statement of changes in shareholders equity to consolidated statement of comprehensive income which resulted in decrease in net income for the year ended 31 December 2017 by SR 2,196 thousands, from SR 61,144 thousands to restated amount of SR 58,948 thousands and corresponding decrease in earnings per share from SR 0.75 per share to SR 0.72 per share. There was no impact on the shareholders' equity as at 31 December 2017 and 1 January 2017.

5 FIRST-TIME ADOPTION OF IFRS (continued)

Exemption applied

These consolidated financial statements have been prepared in accordance with the accounting policies described in note 3, except for two optional exemptions availed by the Group in preparing these consolidated financial statements in accordance with IFRS 1 – First time adoption of International Financial Reporting Standards from full retrospective application of IFRS. The optional exemptions applied are described below:

- The Group has elected the business combination exemption in IFRS 1 to not apply IFRS 3 retrospectively, to past business combinations. Accordingly, the Group has not restated business combinations that took place prior to the transition date.
- The Group has initially applied IFRS 9 with a transition date of 1 January 2018. The Group has applied the completed version of IFRS 9 for its first IFRS reporting period (for the year ended 31 December 2018). However, for its comparative period (for the period ended 31 December 2017), the Group has applied its previous GAAP accounting by availing the short-term exemption available under Appendix E of IFRS 1 First Time Adoption of IFRS. IFRS 9 sets out requirements for measuring and recognizing financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces the existing guidance under SOCPA.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous classification categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in SOCPA for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial assets and financial liabilities.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets, investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under SOCPA. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

(iii) Transition

As mentioned earlier, the Group has opted to apply IFRS 9 prospectively from 1 January 2018. Differences in the carrying amounts of financial assets from the adoption of IFRS 9 are recognized in retained earnings as on 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those under SOCPA. Upon adoption of IFRS 9, the Group has not made any adjustment due to not material impact of impairment of trade receivables.

Estimates

The estimates at 1 January February 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA GAAP (after adjustments to reflect any differences in accounting policies) apart from the employee benefits items where application of SOCPA GAAP did not require estimation.

The estimates used by the Group to present these amounts in accordance with IFRS that are endorsed in KSA reflect conditions at 1 January 2017, the date of transition to IFRS and as at 31 December 2017.

6. CASH AND CASH EQUIVALENTS

	31 December 2018	*31 December 2017*	*1 January 2017*
	SR'000	SR '000	SR '000
Cash at bank	**22,390**	27,135	155,189
Short term Murabaha placements	**-**	6,774	-
	22,390	33,909	155,189

6. CASH AND CASH EQUIVALENTS (continued)

Short term placements as at 31 December 2017 were with original contractual maturity of less than three months and carried profit rate of 1.63% (1 January 2017: nil).

7. MURABAHA PLACEMENT

Murabaha placements carry profit rate ranging from of 4.5% to 5.75% (31 December 2017: 4.25% to 5.7%) and are secured by a back-to-back corporate guarantee issued by a company under management.

	31 December 2018 SR '000	*31 December 2017 SR '000*	*1 January 2017 SR '000*
Murabaha placement	**161,700**	177,539	-
Less: current portion	**(120,500)**	(65,039)	-
Long-term portion	**41,200**	112,500	-

8. ACCOUNTS RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

	31 December 2018 SR'000	*31 December 2017 SR '000*	*1 January 2017 SR '000*
Receivable against investment sold (note 'a')	**57,365**	82,461	-
Margin deposit (notes 26)	**14,208**	14,208	14,208
Accounts receivable	**3,483**	3,846	6,342
Advances to suppliers	**3,604**	4,095	2,772
Prepayments	**1,926**	3,125	2,286
Other receivables	**2,545**	4,290	8,532
Zakat and income tax reimbursable	**-**	2,196	-
Allowance for impairment (note 'b')	**(2,896)**	(2,896)	(6,034)
	80,235	111,325	28,106

a) It represents balance receivable against investment sold by the Group to majority shareholders of the investee. It is secured through pledge of shares of the investee which shall be released upon settlement of balance receivable by the majority shareholders.

b) Movements in the allowance for impairment is as follows:

	For the year ended 31 December 2018 SR'000	*For the year ended 31 December 2017 SR '000*
At 1 January	**2,896**	6,034
Reversal for the year (note 21)	**-**	(742)
Written off	**-**	(2,396)
At 31 December	**2,896**	2,896

9. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related parties represent directors and key management personnel of the Group, fund and entities controlled or significantly influences by such parties. Significant related party transactions with Funds / Companies under management and balances arising during the year are described below:

Nature of transactions	***Amount of transactions for the year ended***		***Balances as at***		
	31 December 2018 SR'000	*31 December 2017 SR'000*	***31 December 2018 SR'000***	*31 December 2017 SR'000*	*1 January 2017 SR'000*
Due from related parties					
Investments acquired/disposed by the Group and gain/loss thereon	**49,956**	62,772	**1,380,362**	1,330,406	1,267,634
Expenses and advances	**17,348**	54,361	**17,963**	615	10,254
Management, custody and subscription fees reduced by payments received	**25,336**	2,165	**70,207**	44,871	42,706
Sale of equity to managed funds	**-**	(64,000)	**-**	-	64,000
Sale of property investment to funds and companies managed by the Group	**-**	593,103	**-**	-	-
Gain from sale of equity and property investment	**140,135**	136,698	**-**	-	-
			88,170	45,486	116,960
Due to related parties					
Subscription of units not yet paid	**-**	(84,000)	**-**	**-**	84,000
Murabaha placements	**19,539**	177,539	**158,000**	177,539	-

9. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) The Group has issued a corporate guarantee on behalf of a related party (note 26). The related party simultaneously issued a back-to-back corporate guarantee to the Group.

c) Key management personnel including members of the Board of Directors of the Group comprise key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Salaries and other short-term benefits	**17,142**	16,045
Post-employment benefits	**1,037**	967
	18,179	17,012

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group meets the definition of an "investment entity". Accordingly, its investments in managed funds and companies are carried at their fair value through profit or loss as "financial assets at fair value through profit or loss".

The movement in the financial assets at fair value through profit or loss for the year ended 31 December is as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Opening balance	**1,330,406**	1,267,634
Purchased during the year	**257,865**	694,646
Transfers (note a)	**(39,000)**	-
Capital distribution (note b)	**(147,537)**	(397,642)
Sold during the year	**(124,058)**	(346,482)
Fair value gain, net	**102,686**	112,250
	1,380,362	1,330,406

a) During the year, the Group settled an amount payable against purchase of an investment through transfer of units owned in one of the funds managed by the Group (note 12).

b) During 2018, a fund distributed its underlying asset, a property, to the units holders in proportionate to the units held by each investor (note 29). The property so received is classified as "investment property" in accordance with the accounting policy adopted (2017: certain funds managed by the entity distributed their underlying assets to the unit holders).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

c) The details of the Group's holding in the managed funds or the companies are as follows:

Name of funds	***31 December 2018***	*31 December 2017*	*1 January 2017*
Alkhabeer US Real Estate Income Fund	**11%**	11%	11%
Alkhabeer Industrial Private Equity Fund II	**-**	-	65%
Alkhabeer Healthcare Private Equity Fund	**9%**	9%	9%
Alkhabeer SME Fund I	**98%**	98%	98%
Alkhabeer Real Estate Opportunity Fund I	**38%**	38%	38%
Alkhabeer Real Estate Residential Development Fund II	**-**	2%	72%
Alkhabeer Land Development Fund II	**3%**	3%	15.4%
Alkhabeer Central London Residential Fund I	**-**	4.4%	4.4%
Alkhabeer Education Private Equity Fund I	**28%**	36%	30%
Alkhabeer Saudi Real Estate Income Fund I	**-**	25%	70%
Alkhabeer Hospitality Fund I	**75%**	75%	100%
Alkhabeer Real Estate Opportunity Fund II	**100%**	100%	-
Alkhabeer REIT	**7%**	-	-
Alkhabeer Education Private Equity Fund II	**100%**	-	-
Alkhabeer Education Private Equity Fund III	**100%**	-	-

Name of companies	***31 December 2018***	*31 December 2017*	*1 January 2017*
Alkhabeer Industrial Private Equity Company – III Ltd.	20%	100%	-
Alkhabeer GCC Opportunity Company (note 14 "b")	92%	100%	-

d) Certain of the investments and returns generated from them are pledged against Sharia compliant financing (note 14)

11. PROPERTY AND EQUIPMENT

	Land	*Building*	*Leasehold improvements*	*Office and computer equipment*	*Furniture and fixtures*	*Vehicles*	*Capital work in progress*	***31 December 2018***	*31 December 2017*	*1 January 2017*
	SR '000	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	*SR '000*	***SR '000***	*SR '000*	*SR '000*
Cost										
At the beginning of the year	6,966	14,234	10,961	17,887	1,286	396	19,460	**71,190**	64,848	45,279
Additions	-	-	-	1,154	15	-	2,619	**3,788**	6,481	23,025
Transfers (note a)	-	20,570	-	-	-	-	(20,570)	-	-	-
Disposals	-	-	-	(69)	-	-	-	**(69)**	(139)	(74)
Assets held for distribution	-	-	-	-	-	-	-	-	-	(3,382)
At the end of the year	6,966	34,804	10,961	18,972	1,301	396	1,509	**74,909**	71,190	64,848
Accumulated depreciation										
At the beginning of the year	-	6,196	2,114	14,712	1,101	234	-	**24,357**	21,353	21,814
Depreciation (note 22)	-	473	807	2,020	93	66	-	**3,459**	3,116	2,995
Related to disposals		-	-	(67)	-	-	-	**(67)**	(112)	(74)
Discontinued operations	-	-	-	-	-	-	-	-	-	(3,382)
At the end of the year	-	6,669	2,921	16,665	1,194	300	-	**27,749**	24,357	21,353
Net book amounts										
At 31 December 2018	**6,966**	**28,135**	**8,040**	**2,307**	**107**	**96**	**1,509**	**47,160**		
At 31 December 2017	6,966	8,038	8,847	3,175	185	162	19,460		46,833	
At 1 January 2017	6,966	8,506	15	4,045	159	229	23,575			43,495

a) Capital work in progress relates to contractor payments for ongoing construction and renovation work on the building owned by the Group.

12. ACCOUNT PAYABLES, ACCRUED AND OTHER LIABILITIES

	31 December 2018 SR '000	*31 December 2017 SR '000*	*1 January 2017 SR '000*
Payable against investment purchased (note below)	**109,986**	39,000	-
Accounts payable	**13,546**	10,109	15,318
Remuneration payable	**20,528**	22,275	23,200
Accrued expenses	**22,168**	8,354	5,852
Other payables	**54,453**	51,605	71,728
Provision for zakat and income tax (note 16)	**1,595**	2,196	-
	222,276	133,539	116,098

During the year, the Group settled its "payable against investment purchased" of prior year by transferring its ownership interest in a fund (note 10).

13. MURABAHA CONTRACTS

This represent commodity Murabaha contracts executed with investors through Discretionary Portfolio Managers (DPMs). The murabaha contracts carry profit rate ranging from 1.42% to 6.5% (31 December 2017: 5.25% to 7.0%) (1 January 2017: 5.25% to 6.25%) and are subject to 0.2% to 1% (31 December 2017: 1%) (1 January 2017: 1%) management fee.

	31 December 2018 SR '000	*31 December 2017 SR '000*	*1 January 2017 SR '000*
Murabaha contracts	**487,950**	428,237	422,440
Less: current portion	**(247,050)**	(292,737)	(327,440)
Long-term portion	**240,900**	135,500	95,000

14. SHARIA COMPLIANT FINANCING

a) During 2016, the Group obtained a sharia compliant financing from a local bank with an approved limit of SR 100 million to be repaid over 5 years. The Group has drawn down SR 50 million on 11 August 2016 and SR 50 million on 30 October 2016. The financing carries commercial profit rate and is secured against certain "financial assets at fair value through profit or loss" and all returns generated from respective investments (note 10).

b) During 2017, the Group obtained a sharia compliant financing from a local bank amounting to SR 150 million. The facility is repayable over a period of two years, carried a profit rate of SIBOR plus an agreed margin and is secured against certain "financial assets at fair value through profit or loss" and all returns generated from respective investments.

	31 December 2018 SR '000	*31 December 2017 SR '000*	*1 January 2017 SR '000*
Sharia compliant financing	**220,398**	231,303	97,158
Less: current portion	**(126,500)**	(51,500)	(14,000)
Long-term portion shown under non-current liabilities	**93,898**	179,803	83,158

15. EMPLOYEES' TERMINAL BENEFITS

Changes in the present value of defined benefit obligation are as follows

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Balance at the beginning of the year	**10,633**	11,275
Current service cost	**2,057**	2,030
Profit	**419**	442
Benefits paid	**(1,031)**	(3,114)
Actuarial gain, net	**(574)**	-
Balance at the end of the year	**11,504**	10,633

Principal assumptions used in determining defined benefit obligation are as shown below:

	31 December 2018	*31 December 2017*
Discount rate	**4.4%**	3.7%
Salary increase	**2.25%**	2.25%
Staff withdrawal rate	**6%**	7%

16. ZAKAT AND INCOME TAX

Provision for zakat and income tax as at the consolidated statement of financial position date is as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Zakat	**1,438**	2,055
Income tax	**157**	141
	1,595	2,196

The provision is based on the following:

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Equity	**914,993**	866,816
Provisions and other adjustments	**572,518**	511,219
Book value of long term assets	**(1,553,492)**	(1,359,274)
	(65,981)	18,761
Saudi Shareholders' share of adjusted income for the year	**57,527**	63,456
Adjusted zakat base	**(8,454)**	82,217

16. ZAKAT AND INCOME TAX (continued)

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with relevant fiscal regulations.

Movement in provision during the year
The movement in zakat provision for the year was as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Balance at the beginning of the year	**2,055**	-
Charge for the year	**1,438**	2,055
Adjusted / Paid during the year	**(2,055)**	-
Balance at the end of the year	**1,438**	2,055

Income tax
Income tax charges for the years ended 31 December 2018, 31 December 2017 are based on the adjusted taxable income calculated on the portion of equity owned by the foreign shareholder. The significant tax adjustments made to accounting net income relate to depreciation, employees' termination benefits and provision against doubtful receivables.

Movement in provision during the year

The movement in income tax provision for the year was as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Balance at the beginning of the year	**141**	-
Charge for the year	**157**	141
Adjusted / Paid during the year	**(141)**	-
Balance at the end of the year	**157**	141

Status of assessments

General Authority of Zakat and Tax (GAZT) raised an assessment with additional liability amounting to SR 10.36 million for the period ended 31 December 2008. The Group filed an appeal with Preliminary Appeal Committee (POC) against GAZT's assessment which is partially accepted. The Group was not satisfied with the POC decision and filed second appeal with Higher Appeal Committee (HAC). The HAC rendered its decision upholding POC decision and GAZT's treatment. The Group has filed an appeal to Board of Grievance (BOG) against HAC decision and lodged a bank guarantee against the disputed liability.

GAZT raised an assessment with an additional liability amounting to SR 3.85 million for the year ended 31 December 2009. The Group filed an appeal with POC against the GAZT assessment. The POC rendered its decision and upheld the GAZT's treatment. The Group has filed an appeal to HAC against POC decision and lodged a bank guarantee against GAZT assessment.

GAZT also raised an assessment with an additional liability amounting to SR 9.36 million for the year ended 31 December 2010. The Group filed an objection against the GAZT assessment.

The Group's management is expecting a favourable decision regarding the above appeals.

The Group has filed its tax and zakat returns for the years ended 31 December 2011 through 2017 and is currently waiting for GAZT's review.

17. DIVIDEND

During 2018, the Annual General Meeting of the Company approved a dividend of 3% (31 December 2017: Nil) of paid up capital amounting to SR 24,396 thousands (31 December 2017: Nil) through its 8th meeting held on 13 May 2018. Subsequently, the Extra Ordinary General Meeting of the Company deferred 1.5% of the approved dividend amounting to SR 12,198 thousands through its meeting held on 24 December 2018 to be paid in 2019.

18. SHARE CAPITAL

The share capital of the Group, amounting to SR 813,202,930, is divided into 81,320,293 shares of SR 10 each (31 December 2017 and 1 January 2017: same).

19. STATUTORY RESERVE

In accordance with the Companies law, a minimum of 10% of the annual net income for the year (after deducting any brought forward losses) is required to be transferred to the statutory reserve.

In accordance with Companies law and Articles of Association of the Parent Company, 10% of the profit for the year has been transferred to statutory reserve. The Company has resolved to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

20. FEE INCOME

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Advisory fees	**660**	1,100
Management, custody and subscription fees	**50,999**	52,648
Structure fee	**12,856**	-
	64,515	53,748

21 SELLING AND MARKETING EXPENSES

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Salaries and benefits	**4,565**	4,486
Sales incentive	**-**	2,002
Less: reversal of allowance for doubtful debts (note 8)	**-**	(742)
Other	**4,612**	928
	9,177	6,674

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2018 SR '000	*For the year ended 31 December 2017 SR '000*
Salaries and benefits	**53,565**	58,690
Legal and consultancy	**15,041**	11,336
Communication	**4,500**	3,651
Business travel	**2,985**	2,543
Depreciation (note 11)	**3,459**	3,116
Rent and premises related expenses	**1,696**	1,716
Office supplies	**341**	462
Utilities	**560**	536
Insurance	**339**	327
Other	**7,151**	3,154
	89,637	85,531

23. RISK MANAGEMENT

The Group's objective in managing risk is the creation and protection of shareholders' value. Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposure relating to his or her responsibilities. These limits reflect the business strategy and market environment of the Group as well as the level of the risk that the Group is willing to accept. The Group is exposed to market risk, credit risk and liquidity risk.

Market risk
Market risk is the risk that the fluctuation of fair value or future cash flows of a financial instrument as a result of changes in market prices, rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk comprises of three types of risks: Profit rate risk, currency risk and equity price risk.

Profit rate risk
Profit rate risk arises from the effects of fluctuations in the prevailing levels of markets profit rates on the fair value of financial assets and liabilities and future cash flow. The Group's majority of financial assets and liabilities measured at amortised cost, carry fixed rate except for Shariah compliant financing which carry floating rate. The Group does not hold fixed rate financial assets which are carried at fair values and could expose the Group to fair value profit rate risk. The Group manages its rate risk on a dynamic basis keeping in view overall rate bearing assets and liabilities and the Group's requirements.

The Group's Shariah compliant financing with floating rate of profit, are placed with a fund managed by the Group with identical terms. Accordingly, any changes in the applicable profit rate is passed on to the managed fund. Similarly, the Group's Murabaha contracts are of long term nature carrying fixed rate. However, certain Murabaha contracts, though carry fixed rate, were of short term nature and had a history of frequent rollover and could expose the Group to cash flow rate risk. Management believe that any change in the applicable rates related to such contracts would not result in material changes to the reported income for current or prior year.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Group invests in funds and other investments that are denominated in currencies other than the Saudi Riyal which are pegged to the Saudi Riyal accordingly the Group is not exposed to significant foreign exchange risk.

23. RISK MANAGEMENT (continued)

Market risk (continued)

Equity price risk
Equity price risk is the risk of unfavourable changes in the fair values of equity as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Group's investments in equity securities. The Group is not exposed in equity price risk as none of the investment are quoted.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. The Group is exposed to credit risk on its bank balances, Murabaha placements, accounts receivable and due from related parties.

In calculating the expected credit loss allowance for accounts receivable and due from related parties, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position and respective expected credit loss is as follows:

	31 December 2018		31 December 2017		1 January 2017	
Financial assets	**Exposure at default**	**Expected credit loss**	Exposure at default	Impairment allowance	Exposure at default	Impairment allowance
	SR'000	***SR'000***	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Murabaha placements (note a)	**161,700**	**-**	177,539	**-**	-	**-**
Due from related parties (note b)	**88,170**	**-**	45,486	-	116, 960	-
Accounts receivables (note c)	**60,848**	**2,896**	86,307	2,896	6,342	6,034

	31 December 2018					
	Current	***< 1 Year***	***1-2 Years***	***2-3 Years***	***> 3 Years***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Murabaha placements (note a)	**161,700**	**-**	**-**	**-**	**-**	**161,700**
Due from related parties (note b)	**33,873**	**20,044**	**30,987**	**3,266**	**-**	**88,170**
Accounts receivables (note c)	**-**	**137**	**57,800**	**-**	**2,911**	**60,848**

a) Placements made with a company under management are fully secured by a back-to-back corporate guarantee issued by the company under management.

b) In its capacity as fund manager, the Group has the first right to recover the balance due from funds / Companies under management in respect of management fee, custody fee and administration fee. As at the date of consolidated financial statements, underlying funds / Companies have positive net assets value, accordingly the balance due form related parties is considered fully secured and recoverable.

c) It includes balance receivable which is secured through pledge of shares of the investee Group (note 8"a").

Financial assets at fair value through profit or loss are not subject to expected credit loss requirement as these are measured at FVTPL that captures the expected credit loss from underlying financial assets.

23. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Exposure to liquidity risk arises because of the possibility that the Group could be required to pay its liabilities or redeem its shares earlier than expected.

The efficient management of liquidity risk begins with the development of written policies and procedures, including the policy of minimal acceptable levels of liquidity. Liquidity risk management is performed by continuous liquidity monitoring, measuring and reporting.

All of the Group's financial liabilities are payable within 12 months from the consolidated statement of financial position date except certain long-term murabaha contracts and non current portion of sharia compliant financing which have maturity of more than 12 months from the consolidated statement of financial position date.

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

The Group's financial assets consist of cash and cash equivalents, accounts receivable, Murabaha placements, financial assets at fair value through profit or loss, due from related parties and financial liabilities consist of accounts payable, shariah compliant financing and Murabaha contracts.

The fair values of investments in funds managed by the Group is obtained from net asset values disclosed in the audited financial statements of those funds, net asset values provided by the external fund managers or recent sales transactions. In real estate funds, the fair value of underlying real estate investments is based on the valuation provided by independent valuers.

As at the date of consolidated statement of financial position, all financial assets and financial liabilities falls under level 3 of fair value hierarchy. The fair values of financial instruments are not materially different from their carrying values (31 December 2017 and 1 January 2017: same).

25. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated statement of financial position. As at 31 December 2018, the Group holds assets under management amounting to SR 4,218 million (31 December 2017: SR 3,444 million and 1 January 2017: 3,159 million) on behalf of, and for the beneficial interest of, its customers.

Legal title of the underlying assets of AKC's managed funds and companies are held by the custodian through certain special purpose vehicles, on behalf of the funds and companies. Since, AKC has ownership interest in these special purpose vehicles as trustee, the financial information and related share of results of these entities are not included in these consolidated financial statements.

26. CONTINGENCIES AND CAPITAL COMMITMENTS

a) Certain legal claims have been filed by third parties against the Group in the normal course of business. The Group's management expects a favourable outcome of these claims.

b) The Group has maintained a margin deposit of SR 14.208 million (31 December 2017: SR 14.208 million and 1 January 2017: SR 14.208 million) with a local bank in respect of a guarantee issued in favour of GAZT (note 8).

c) The Board of Directors has authorised future capital expenditure, amounting to SR 5 million (31 December 2017: SR 10.2 million and 1 January 2017: SR 15.9 million) in connection with leasehold improvements and construction under progress.

d) The Group issued a corporate guarantee on behalf of a related party for an outstanding amount of SR 120 million (31 December 2017: SR 120 million and 1 January 2017: SR 120 million). The related party simultaneously issued a back-to-back corporate guarantee to the Group. This amount is due for settlement by the respective related party on 31 December 2020.

26. CONTINGENCIES AND CAPITAL COMMITMENTS (continued)

e) The Group pledged units of its investment in entity managed by the Group on behalf of a related party for an amount of SR 300 million (31 December 2017: SR 300 million and 1 January 2017: Nil). The related party simultaneously pledged assets back-to-back for an equivalent value to the Group.

27. OPERATING LEASES

As at 31 December, the Group has future minimum lease payments under operating leases due as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Within one year	**900**	900
From 1 to 5 years	**4,500**	4,500
Over 5 years	**5,100**	6,000
	10,500	11,400

28. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Group's objectives when managing capital is to comply with the capital requirements set by the Capital Market Authority (CMA) to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

During the year ended 31 December 2013, Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base, which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

The details of the minimum capital requirement and capital base are as follows:

	31 December 2018 SR '000	*31 December 2017 SR '000*
Capital base		
Tier-1 capital	**985,427**	939,590
Tier-2 capital	**-**	-
Total capital base	**985,427**	939,590
Minimum capital requirement		
Credit risk	**869,890**	864,203
Market risk	**7,945**	255
Operational risk	**32,838**	31,584
Total minimum capital required	**910,673**	896,042
Capital Adequacy Ratio		
Total capital ratio (time)	**1.08**	1.05
Surplus in capital	**74,754**	43,548

29. INVESTMENT PROPERTY

The Group received property as a result of distribution of the assets by a fund managed by the Parent Company (note 10). The property is carried at cost. The fair value of the property valued by Saad Ali AlNajjar Sons Limited - licensed by “Saudi Authority for Accredited Valuers” on 29 December 2018 was SR 148,525 thousand. The property is registered in the name of “Alfuras Almustadama Real Estate Company” which has provided an undertaking that property is held by it on behalf of the Group.

30. ASSETS HELD FOR DISTRIBUTION

Sanabel Investment Co. B.S.C. (c) (“Sanabel”), a subsidiary of the Company established on 15 December 2008 in the Kingdom of Bahrain under Commercial Registration No. 70609-1 and operated under an investment business firm – category 1 (Islamic Principles) was dissolved by the shareholders on 24 November 2016.

On 11 July 2017, Central Bank of Bahrain confirmed that liquidation process is completed. Upon dissolution during 2017, the net assets of Sanabel were transferred to the Company at their carrying values, after incurring related legal expenses of SR 0.06 million.

The movement in the carrying value of investment in subsidiary liquidated is as follows:

	31 December 2018	*31 December 2017*
	SR ’000	*SR ’000*
Opening	-	229
Share of results from discontinued operations	-	-
Cost incurred in relation to dissolution	-	(60)
Transfer of net assets to the Group	-	(169)
Closing	-	-

31. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue outstanding during the year (note 18).

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

32. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

33. BOARD OF DIRECTORS’ APPROVAL

The consolidated financial statements were approved by the Board of Directors on 27 February 2019 (corresponding to 22 Jumad Thani 1440H)