ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
together with the
INDEPENDENT AUDITOR'S REPORT

ALINMA INVESTMENT COMPANY
A Saudi Closed Joint Stock Company

INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

BDO الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

P.O. Box 8736, Riyadh 11492
Tel.: +966 11 278 0608
Fax: +966 11 278 2883
info@alamri.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Alinma Investment Company
(A Closed Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Alinma Investment Company** (a Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statements of profit or loss, comprehensive income, cash flows and statement of changes in shareholder's equity for the year then ended, and notes 1 to 24 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia 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 the Company's Management and Those Charged with Governance for the Financial Statements

The Company's Management is responsible for the preparation and fair presentation of the financial statements in conformity with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's management is responsible for assessing the Company'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 the Company's management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
● Jeddah: Tel. 012 2830112, Fax: 012 6612788 ● Dammam: Tel. 013 8344311, Fax: 013 8338553, www.alamri.com
Dr. Mohamed Al-Amri & Co., a Saudi Professional Company registered under licence no. 323/11/66, C.R. 4030275330
member of BDO International Limited, a UK company Limited by guarantee, and forms part of the international BDO network of independent member firms.

P.O. Box 8736, Riyadh 11492
Tel. : +966 11 278 0608
Fax : +966 11 278 2883
info@alamri.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Company's management.
- Conclude on the appropriateness of Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Other matter paragraph

The financial statements of the prior year were audited by the predecessor auditor who issued an unqualified opinion thereon in their report dated 1 Rajab 1439H corresponding to 31 March 2018G.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٢٣٢٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on 21 Jumada Al-Thani 1440 (H)
Corresponding to: 26 February 2019 (G)

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER, 2018
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Notes	**31 December 2018**	31 December 2017	1 January 2017
ASSETS				
Current assets				
Cash and cash equivalents	4	**259,360**	59,598	63,508
Trade and other receivable	5	**706,447**	241,857	128,664
Current portion of net investment in a finance lease		**-**	4,864	-
Investment at fair value through profit or loss	6	**1,731**	2,149	2,755
Prepayments		**3,818**	2,277	3,276
Total current assets		**971,356**	310,745	198,203
Non-current assets				
Investment at fair value through profit or loss	6	**250,699**	225,078	194,332
Investments at fair value through other comprehensive income	7	**36,864**	38,068	39,173
Investment properties		**-**	80,372	-
Net investment in a finance lease		**-**	67,599	-
Tangible and intangible assets, net	8	**8,477**	10,877	4,943
Total non-current assets		**296,040**	421,994	238,448
TOTAL ASSETS		**1,267,396**	732,739	436,651
LIABILITIES AND SHAREHOLDER'S EQUITY				
LIABILITIES				
Current liabilities				
Short term loan	10	**252,144**	-	-
Accrued expenses and other liabilities	11	**119,746**	79,796	38,246
Provision for zakat	12	**6,116**	6,550	12,465
Total current liabilities		**378,006**	86,346	50,711
Non-current liability				
End of service benefits	13	**13,780**	10,709	5,460
TOTAL LIABILITIES		**391,786**	97,055	56,171
SHAREHOLDER'S EQUITY				
Share capital	14	**250,000**	250,000	250,000
Statutory reserve		**67,358**	43,365	17,892
Retained earnings		**558,252**	342,319	112,588
TOTAL SHAREHOLDER'S EQUITY		**875,610**	635,684	380,480
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**1,267,396**	732,739	436,651

The accompanying notes from 1 to 24 are an integral part of these interim financial statements

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Notes	**31 December 2018**	31 December 2017
REVENUES			
Revenue	15	**326,933**	318,141
Net income from investments at fair value through profit or loss		**14,033**	8,104
Income from investments at fair value through other comprehensive income		**1,567**	1,461
Other income		**7,498**	7,608
TOTAL INCOME		**350,031**	335,314
OPERATING EXPENSES			
Salaries and employees related expenses		**(67,714)**	(61,374)
Rent and premises expenses		**(1,446)**	(990)
Financing expenses		**(6,292)**	-
General and administrative expenses	16	**(24,004)**	(17,457)
Depreciation and amortization expense	8	**(3,508)**	(707)
TOTAL OPERATING EXPENSES		**(102,964)**	(80,528)
Credit loss allowance		**(1,352)**	-
INCOME BEFORE ZAKAT		**245,715**	254,786
Zakat (charge) / reversal	12	**(6,116)**	956
NET INCOME FOR THE YEAR		**239,599**	255,742

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Note	**31 December 2018**	31 December 2017
NET INCOME FOR THE YEAR		**239,599**	255,742
Other comprehensive income that may be reclassified subsequently to the statement of profit or loss			
Re-measurement loss on investments at fair value through profit or loss		**(32)**	-
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss			
Re-measurement actuarial gain on end of service benefits	13.1	**879**	(538)
Other comprehensive income for the year		**847**	(538)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**240,446**	**255,204**

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	Share Capital	Statutory reserve	Retained earnings	Total
1 January 2017	250,000	17,892	112,588	380,480
Net income for the year	-	-	255,742	255,742
Other comprehensive income for the year	-	-	(538)	(538)
Total comprehensive income for the year	-	-	255,204	255,204
Transfer to statutory reserve	-	25,473	(25,473)	-
31 December 2017	250,000	43,365	342,319	635,684
Allowance for expected credit losses on adoption of IFRS 9	**-**	**-**	**(520)**	**(520)**
Net income for the year	**-**	-	**239,599**	**239,599**
Other comprehensive income for the year	**-**	-	**847**	**847**
Total comprehensive income for the year	**-**	**-**	**239,926**	**239,926**
Transfer to statutory reserve		23,993	**(23,993)**	**-**
31 December 2018	**250,000**	**67,358**	**558,252**	**875,610**

ALINMA INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

	31 December 2018	31 December 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Income before zakat	**245,715**	254,786
Depreciation and amortization expense	**3,508**	707
Unrealized gain on investments at fair value through profit or loss	**(7,345)**	(5,288)
Realized gain on investments at fair value through profit or loss	**(2,302)**	3,012
End of service benefits expense	**5,009**	5,221
Capitalized costs from CWIP charged to expenses	**537**	-
Credit loss allowance	**1,352**	-
	246,474	258,438
Changes in operating assets and liabilities:		
Trade and other receivables	**(466,462)**	(113,193)
Prepayments	**(1,541)**	999
Accrued expenses and other liabilities	**39,807**	41,550
Cash (used) / generated from operations	**(181,722)**	187,794
Employees termination benefits	**(1,059)**	(510)
Zakat paid	**(6,407)**	(4,959)
Net cash (used) / generated from operating activities	**(189,188)**	182,325
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investment properties	**80,372**	-
Purchase of investment properties	**-**	(80,372)
Investment in finance lease, net	**72,463**	(72,463)
Investments at fair value through profit or loss, net	**(15,556)**	(27,864)
Proceeds from investments at fair value through other comprehensive income	**1,172**	1,105
Purchase of property and equipment and capital work in progress	**(1,645)**	(6,641)
Net cash generated from / (used in) investing activities	**136,806**	(186,235)
CASH FLOW FROM FINANCING ACTIVITIES		
Financing from related party, net	**252,144**	-
Net cash generated from financing activities	**252,144**	-
Net change in cash and cash equivalents	**199,762**	(3,910)
Cash and cash equivalents at beginning of the year	**59,598**	63,508
Cash and cash equivalents at end of the year	**259,360**	59,598
Non cash transaction:		
Changes in fair value of investments at fair value through other comprehensive income	**32**	-

The accompanying notes from 1 to 24 are an integral part of these interim financial statements

1. GENERAL

Alinma Investment Company (the "Company") is a Saudi Closed Joint Stock Company established pursuant to ministerial resolution number 183 dated 7 Jumada Al-Thani 1430H (corresponding to 31 May 2009) and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010269764 dated 23 Jumada Al-Thani 1430H (corresponding to 16 June 2009G). The Company is a wholly owned subsidiary of Alinma Bank, a Saudi Joint Stock Company (the "Parent Company") which is also the ultimate controlling party of the Company.

The principal activities of the Company are to deal as principal, agent, managing, arranging, advising and custody as licensed by the Capital Market Authority ("CMA") under license number 09134-37 dated 23 Rabi Thani 1430H (corresponding to 19 April 2009).

The Company's registered office is located at:
Al-Anoud Tower, Building No. 2
King Fahad Road
P.O. Box 66333 Riyadh 11576
Kingdom of Saudi Arabia

The Company commenced providing investment services pursuant to commencement letter issued by CMA dated 2 Safar 1431H (corresponding to 17 January 2010G).

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

Transition to International Financial Reporting Standards (IFRSs)

Up to and including the year ended 31 December 2017, the Company prepared and presented statutory financial statements in accordance with generally accepted accounting standards ("SOCPA") in the Kingdom of Saudi Arabia issued by SOCPA. For the financial years beginning from 1 January 2018, the applicable regulations require the Company to prepare and present financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

In preparing these first IFRS financial statements for the year ended 31 December 2018 management has applied, IFRS 1 'First time Adoption of International Financial Reporting Standards', as endorsed in Kingdom of Saudi Arabia. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, equity and cash flows of the Company is provided in note 22 to these financial statements.

The accounting policies set out in note 3 have been applied consistently to all the years presented except as allowed under exemption for first time adopters. Refer to note 22 for an explanation of how the transition from generally accepted accounting standards in the Kingdom of Saudi Arabia ("SOCPA") to IFRS has affected the Company's financial position, financial performance and cash flows.

BASIS OF PREPARATION *(continued)*

b) Basis of measurement

These financial statements have been prepared on historical cost basis using the accrual basis of accounting and the going concern concept, except for the following items (refer to individual accounting policies for details):

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Employee's end of service benefits which are measured at present value of future obligations using Projected Unit Credit Method

c) Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Company. All amounts have been rounded to the nearest thousands of Saudi Riyal, unless otherwise indicated.

d) Financial year

The financial year of the Company commences on 1st January and ends on 31st December of each calendar year.

e) Use of critical estimates and judgment

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual result may differ from these estimates. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

Useful lives, residual values, or depreciation method of property and equipment

The Company's management determines the estimated useful lives for property and equipment. This estimate is determined after considering the expected usage of the asset or physical wear and tear.

Management reviews the useful lives, residual values, or depreciation method for property and equipment annually. Future depreciation expense would be adjusted where management believes that useful lives, residual values, or depreciation method differ from those used in previous years.

Amortization of intangible assets

The Company's management determines the estimated useful lives of intangible assets annually. Intangible assets with infinite useful lives are checked annually for impairment. Amortization is reviewed annually and adjusted where management believes that future estimates will differ from those used in previous years.

Provision for zakat

The calculation of the Company's zakat charge necessarily involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits and losses and/or cash flows.

BASIS OF PREPARATION *(continued)*

Use of estimates and judgment *(continued)*

Impairment of non-financial assets

The Company's management periodically reviews the carrying amounts of non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognized in the statement of profit or loss.

Impairment losses on trade and other receivables

These receivables are stated at their amortized cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience adjusted appropriately for the future expectations. Individual trade receivables are written off when management deems them not to be collectible.

End of service benefits

The liabilities relating to defined benefit plans are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of annual reporting year. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties. Significant assumptions used to carry out the actuarial valuation have been disclosed in note 12 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments with original maturities of three months or less from the date of purchase which are available to the Company without any restriction, if any.

b) Trade receivables

Trade and other receivables are initially recorded at fair value plus transaction costs. The fair value on acquisition is normally the transaction price. Subsequent to initial recognition these assets are measured at amortized cost using the effective interest method, less any impairment.

Portfolio financing receivables

Portfolio financing represent Shariah compliant products in the form of Murabaha agreements which are stated at amortized cost less allowance for credit losses.

Portfolio financing receivables are initially recognized when underlying asset is transferred to customers. They are derecognized when customers repay their obligations. The Company in the ordinary course of business holds shares as collateral to mitigate credit risk on such receivables.

c) Financial Instruments

i. Recognition and de-recognition

Trade date accounting

All regular way purchases and sales of financial assets are initially recognized and derecognized on the trade date (i.e. the date of on which the Company becomes a party to the contractual provision of the instrument). Regular way purchases or sales of the financial instruments require delivery of those assets within the time frame generally established by regulation or convention in the market place.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

All other financial assets and liabilities are also initially recognized on the trade date at which the Company becomes a party to the contractual provision in the market place.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

ii. Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost.
- fair value through profit or loss (FVTPL).
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All financial assets are initially measured at fair value adjusted for transaction costs, except for financial assets at FVTPL.

Financial assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

i. Classification

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortized cost;

- Fair value through other comprehensive income ("FVOCI") – debt investment;

- FVOCI – equity investment; or

- Fair value through profit or loss ("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. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not optionally designated as at FVTPL on initial recognition:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ii. Measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss as incurred.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other, net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other, net gains and losses are recognized in OCI and are never reclassified to profit or loss.

iii. Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The maximum year considered when estimating ECLs is the maximum contractual year over which the Company is exposed to credit risk.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company recognizes 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.
In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

iv. Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

v. Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets, interest income is recognized using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter year, where appropriate, to the net carrying amount of the financial asset.

When a financial asset is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognized using the original EIR.

vi. Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The financial liabilities are classified in the following measurement categories:
a) Those to be measured as financial liabilities at fair value through profit or loss, and
b) Those to be measured at amortized cost.

Measurement

All financial liabilities are recognized initially at fair value. Financial liabilities accounted at amortized cost like borrowings are accounted at the fair value determined based on the effective interest rate method (EIR) after considering the directly attributable transaction costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

The effective interest rate ("EIR") method calculates the amortized cost of a debt instrument by allocating interest charge over the relevant effective interest rate year. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

The Company's financial liabilities include trade and other payables, borrowings from related parties and accrued referral fees payable to Parent Company. The Company measures financial liabilities at amortized cost.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

d) Leases

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset or whether the lease is for the major part of the economic life of the asset.

Finance leases

Lease contract for which the Company determines the lease as finance lease at the inception. The Company records the net investment in finance lease at lower of the fair value of the leased assets and the present value of the minimum lease payments.

Gross investment in finance lease include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases.

Operating leases

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) Investment properties

Investment property is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at cost less impairment, if any. Investment properties are tested annually for impairment, and are included in the statement of financial position at net book value.

Investment property is derecognized when it has been disposed of or 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 would result in either gains or losses at the retirement or disposal of investment property.

f) Tangible and intangible assets

The Company applies the following estimated useful lives of tangible and intangible assets:

Asset Category	Life (years)
Furniture and fixtures	5
Computer hardware	3 - 10
Office equipment	5
Computer software	5
Core banking and infrastructure	10

Property and equipment

Property and equipment are carried at cost less accumulated depreciation, Depreciation is charged to the statement of income, using the straight-line method, to allocate the costs of the related assets to their residual values over the estimated useful lives.
Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the statement of profit or loss.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of income as and when incurred, Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

Intangible assets

An intangible asset is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition of the asset.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in statement of profit or loss when the asset is derecognized.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units ("CGU") fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Tangible and intangible assets *(continued)*

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

g) Non-current assets held for sale

The Company classifies a non-current asset, if any, as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Immediately before classification as held-for-sale, the carrying amount of the non-current assets is measured in accordance with the previous applicable IFRS. Thereafter, are measured at lower of their carrying amount and fair value less costs to sell.

Impairment losses are recognized in the statement of profit or loss for any initial or subsequent write-down of the non-current asset to the fair value less costs to sell. Subsequent gains in the fair value less costs to sell are recognized to the extent they not exceed the cumulative impairment losses previously recorded.

A non-current asset is not depreciated while classified as held for sale.

h) Zakat

Zakat is provided for in the financial statements in accordance with Saudi General Authority of Zakat and Tax ("GAZT") laws and regulations. Zakat is charged to the statements of profit or loss. Additional zakat liabilities, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

As the Company is a wholly owned subsidiary of Alinma Bank ("Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is being filed by the Bank from year ended 31 December 2011 with the General Authority for Zakat and Tax (the "GAZT").

i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

j) Employee benefits

Short-term employee benefits

Liabilities for salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

End of service benefits

The Company has end of service benefits which qualify as defined benefit plans. The employees are entitled for benefits based on length of service and last drawn salary, and computed in accordance with the provisions of the Saudi Arabian Labor and Workmen Law and the Company policy.

The liability for end of service benefits, being an unfunded plan, is determined using projected credit unit method with actuarial valuations being conducted at end of annual reporting years. The related liability recognized in statement of financial position is the present value of the end of service benefits obligation at the end of the reporting year.

The discount rate applied in arriving at the present value of the defined benefits obligation represents the yield on government bonds, by applying a single discount rate that approximately reflects the estimated timing and amount of benefit payments.

End of service benefits are categorized as follows:

- Current service cost (increase in the present value of obligation resulting from employee service in the current year).
- Interest expense (calculated by applying the discount rate at the beginning of the year to the end of service benefits liability); and
- Re-measurement.

Current service cost and the interest expense arising on the end of service benefits liability are included in the same line items in the statement of income as the related compensation cost.

Re-measurement, comprising actuarial gains and losses, is recognized in full in the year in which they occur, in other comprehensive income without recycling to the profit or loss in subsequent year. Amounts recognized in other comprehensive income are recognized immediately in retained earnings.

k) General and administrative expenses

Expenses are measured and recognized as a year cost at the time when they are incurred. Expenses related to more than one financial year are allocated over such years proportionately. All expenses, excluding direct costs are classified as general and administration expenses.

l) Assets held under fiduciary capacity

Assets under management:

The Company offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Company and accordingly are not included in these interim financial statements.

Clients' cash accounts:

Clients' cash accounts are not treated as assets of the Company and accordingly are not included in these interim financial statements.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

m) Revenue recognition

- Brokerage commission is recognized when the deal is executed. Brokerage commission on local shares is recognized net of Tadawul commission and rebates allowed to the customers.
- Fee from managing assets (including mutual funds) is recognized over time as the services are rendered.
- Subscription fee is recognized upon subscription to the fund. These fees are recognized net of related expenses.
- Fee from investment banking services is recognized when the related services have been delivered to the customer, net of related expenses.
- Underwriting fees are recognized when the Company has rendered all services to the issuer and is entitled to collect the fee from the issuer with no contingencies associated with the fees. Underwriting revenues are presented net of transaction-related expenses.
- Income from margin financing facilities is recognized over the year of contract using effective interest rate.
- Custody fee is received upfront and amortized over the year of the service (deferred income).
- Dividend from investments is recognized when earned or publically declared by the investee, and is presented together with net gain or loss on investments at fair value through profit and loss.
- Finance lease income is recognized over the term of the lease using the effective yield method.

n) Foreign currency translations

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translations of foreign currency transactions are included in the statement of profit or loss.

o) Contingent liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past event, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but is not probable that an outflow of the resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

p) Statutory reserve

Under the Company's By-Laws and the Companies Law the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash deposited in a local bank (note 8).

	31 December 2018	31 December 2017	1 January 2017
Cash at bank – current account	**51,489**	59,598	63,508
Murabaha deposits	**208,000**	-	-
	259,489	59,598	63,508
Less: Allowance for expected credit losses	**(129)**	-	-
	259,360	59,598	63,508

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

5. TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017	1 January 2017
Portfolio financing receivables	**439,519**	70,284	26,806
Asset management fee receivable	**198,991**	118,417	70,617
Other trade receivables	**56,590**	50,444	9,965
Trade receivables - gross	**695,100**	239,145	107,388
Less: Allowance for expected credit losses	**(1,676)**	-	-
Trade receivables – net	**693,424**	239,145	107,388
VAT refundable	**9,650**	-	-
Receivable against disposal of investment	-	-	13,244
Other receivables	**3,373**	2,712	8,032
	706,447	241,857	128,664

The Company extends portfolio financing facilities to its customers to invest in the Saudi Stock Exchange and investment funds. These facilities represent Shariah compliant Murabaha financing which are collateralized by underlying equities and cash held in customer investment account amounting to Saudi Riyals 855 million as at 31 December 2018 (2017: Saudi Riyals 240 million). These facilities are extended up to a maximum year of one year and bear fixed commission rates.

The movement in allowance for expected credit losses ("ECL") during the year is as follows:

	31 December 2018	31 December 2017	1 January 2017
ECL allowance on adoption of IFRS 9	**324**	-	-
ECL allowance during the year	**1,352**	-	-
At the end of the year	**1,676**	-	-

The Company recognised ECL allowance against opening retained earnings as of 1 January 2017 as required under transitional provisions of IFRS 1-First Time Adoption of IFRSs and IFRS 9-Financial Instruments.

6. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018	31 December 2017	1 January 2017
Current			
Listed equities	**1,731**	2,149	2,755
Non-current			
Funds managed by the Company			
Public funds (a)	**68,319**	104,850	104,227
Private funds (b)	**182,380**	120,228	90,105
	250,699	225,078	194,332
	252,430	227,227	197,087

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

6. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

(a) This includes investment in local public funds managed by the Company. Investment in these funds are valued at latest available net assets value (NAV).

	Carrying value	**Fair value**	**Unrealized gain / (loss)**
	31 December 2018		
Alinma Multi Assets Balanced Fund	**3,205**	**3,332**	**127**
Alinma Makkah Real Estate Fund	**17,118**	**18,488**	**1370**
Alinma Saudi Equity Fund	**21,998**	**23,320**	**1,322**
Alinma Saudi Riyal Liquidity Fund	**22,670**	**23,179**	**509**
	64,991	**68,319**	**3,328**

	Carrying value	Fair value	Unrealized gain / (loss)
	31 December 2017		
Alinma Multi Assets Balanced Fund	3,199	3,205	6
Alinma Makkah Real Estate Fund	17,118	17,118	-
Alinma Saudi Equity Fund	21,593	21,998	405
Alinma Saudi Riyal Liquidity Fund	61,288	62,529	1,240
	103,197	104,850	1,653

	Carrying value	Fair value	Unrealized gain / (loss)
	1 January 2017		
Alinma Multi Assets Balanced Fund	4,400	4,400	-
Alinma Saudi Equity Fund	14,975	21,592	6,617
Alinma Saudi Riyal Liquidity Fund	76,453	78,235	1,782
	95,828	104,227	8,399

(b) The Company has invested in private real estate funds. Investment in these private funds are valued using the latest available net assets value (NAV) of the respective funds as of the reporting date. The NAV is calculated with reference to fair value of underlying assets and takes into consideration number of factors, including area and the type of the property and valuation techniques using significant unobservable inputs, including financial and fragmentation plot analysis, market comparison model, residual value method, among others.

	Carrying value	**Fair value**	**Unrealized gain / (loss)**
	31 December 2018		
Local Fund			
Digital city Fund	**50,586**	**50,103**	**(483)**
Foreign equity investment			
Rentify Limited	**1,958**	**1,958**	**-**
Funds managed by the Company			
Alinma Ewan Real Estate Fund	**15,765**	**13,126**	**(2,639)**
Alinma Althoraya Real Estate Fund	**88,000**	**92,576**	**4,576**
Alinma Education Fund	**24,617**	**24,617**	**(17)**
	180,926	**182,380**	**1,454**

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

6. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

	Carrying value	Fair value	Unrealized gain / (loss)
	31 December 2017		
Local Fund			
Digital city Fund	54,163	50,585	(3,578)
Funds managed by the Company			
Alinma Ewan Real Estate Fund	17,043	15,765	(1,278)
Alinma Education Fund	45,380	53,878	8,498
	116,586	120,228	3,642

	Carrying value	Fair value	Unrealized gain / (loss)
	1 January 2017		
Local Fund			
Digital city Fund	51,000	54,162	3,162
Funds managed by the Company			
Alinma Ewan Real Estate Fund	19,000	17,043	(1,957)
Alinma Education Fund	18,900	18,900	-
	88,900	90,105	1,205

7. INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018	31 December 2017	1 January 2017
i) Sukuk (a)	**36,929**	38,066	39,171
ii) Equity investment	**2**	2	2
	36,931	38,068	39,173
Less: Allowance for expected credit losses on Sukuk	**(67)**	-	-
	36,864	38,068	39,173

(a) These Sukuk are carried at fair value estimated using observable inputs from market sources.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

8. TANGIBLE AND INTANGIBLE ASSETS, NET

	Furniture and fixtures	Computer hardware	Computer software	Office equipment	Capital work in progress	Total
Cost						
1 January 2018	3,787	117	1,575	369	**6,628**	**12,476**
Additions	1,320	-	-	1	**324**	**1,645**
Transfers	-	91	6,275	-	**(6,366)**	**-**
Capitalized costs charged to expenses	-	-	-	-	**(537)**	**(537)**
31 December 2018	**5,107**	**208**	**7,850**	**370**	**49**	**13,584**
Accumulated depreciation						
1 January 2018	1,038	20	437	104	**-**	**1,599**
Additions	1,668	70	1,613	157	**-**	**3,508**
31 December 2018	**2,706**	**90**	**2,050**	**261**	**-**	**5,107**
Net book value						
31 December 2018	**2,401**	**118**	**5,800**	**109**	**49**	**8,477**

During the year the Company transferred Capital work in progress upon completion and deployment of certain software to facilitate customers and operations of the Company.

	Furniture and fixtures	Computer hardware	Computer software	Office equipment	Capital work in progress	Total
Cost						
1 January 2017	3,167	54	1,106	343	1,165	5,835
Additions	620	63	-	26	5,932	6,641
Transfers	-	-	469	-	(469)	-
31 December 2017	3,787	117	1,575	369	6,628	12,476
Accumulated depreciation						
1 January 2017	682	8	137	65	-	892
Additions	356	12	300	39	-	707
31 December 2017	1,038	20	437	104	-	1,599
Net book value						
31 December 2017	2,749	97	1,138	265	6,628	10,877
1 January 2017	2,485	46	969	278	1,165	4,943

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Company include its Parent Company, funds managed by the Company executive members of Company's board of directors, key management personnel and companies of which these related parties are principal owners. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Key management personnel transactions

Compensation of the Company's key management personnel includes salaries and non-cash benefits as follows:

	31 December 2018	31 December 2017
Short-term employee benefits		
Salaries including allowances and bonuses	8,001	9,356

Other related parties' transactions and balances

Related party	**Nature of transaction**	**31 December 2018**	31 December 2017
	Revenue		
Funds managed by the Company	Asset management fees, gross	**258,664**	274,492
	Custody fees	**-**	7,656
	Income on wakala management	**3,096**	3,114
	Brokerage income	**3,897**	-
Parent Company	Referral fee for brokerage income	**(2,989)**	(2,363)
	Referral fee for asset management income	**(16,938)**	(32,954)
		245,730	249,945
	Expenses		
	Administrative charges	**(3,703)**	(4,013)
	Board allowance	**(1,191)**	(135)

Balances with related parties included in the statement of financial position are as follows:

Item	**Relationship**	**31 December 2018**	31 December 2017	1 January 2017
Cash and cash equivalents - Current accounts	Parent Company (note 4)	**51,489**	59,598	63,508
Investment at fair value through profit or loss - funds managed by the Company	Public Funds (note 6)	**68,319**	104,850	104,227
	Private Funds (note 6)	**182,380**	120,228	90,105
Trade and other receivables	Other related parties (note 5)	**1,411**	1,442	1,091
Due to related parties - Loan	Alinma Saudi Riyal Liquidity Fund (note 10)	**(252,144)**	-	-
	Payments on behalf of the Company	**-**	(25,936)	-

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

10. SHORT TERM LOAN

	31 December 2018	31 December 2017	1 January 2017
Loan from related party (a)	**252,144**	25,936	-

(a) During the year the Company entered into a Murabaha agreement with Alinma Liquidity Fund, managed by the Company to obtain a short term loan which is repayable upon completion of one year.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018	31 December 2017	1 January 2017
Accrued fees (a)	**42,223**	24,016	22,360
Due to related parties	**-**	25,936	-
Employees related accruals	**14,211**	12,943	8,000
Asset management fee received in advance (b)	**49,364**	15,533	5,533
VAT payable	**7,512**	-	-
Others	**6,436**	1,368	2,353
	119,746	79,796	38,246

a) Accrued fee includes referral fee payable to the Parent Company as detailed in note 9.

b) Unearned asset management fee represents unamortized asset management fee received from Private Funds Managed by the Company according to advance payment terms with them. This fee will be earned in coming year.

12. ZAKAT

Movement in provision during the year

	31 December 2018	31 December 2017	1 January 2017
At the beginning of the year	**6,550**	12,465	4,800
Payments	**(6,407)**	(4,959)	-
Reversal of provision for prior years	**(143)**	(7,506)	-
Provision for the year	**6,116**	6,550	7,665
At the close of the year	**6,116**	6,550	12,465

Status of assessments

As the Company is a wholly owned subsidiary of Alinma Bank ("Bank"), and in accordance with Ministerial Resolution number 1005 dated 28 Rabi Al Thani 1428H (corresponding to 15 May 2007) a consolidated zakat declaration is being filed by the Bank from year ended 31 December 2011 with the General Authority for Zakat and Tax (the "GAZT"). The Bank has received zakat assessments for the years 2009 to 2015 with no additional zakat liability with respect to the Company. Prior to 2011, the Company was filing zakat declaration on an individual basis.

During 2017, the Company reassessed the zakat calculation with the Bank and agreed to calculate the zakat based on net income. Accordingly, the Company reversed the excess provision related to 2016 that was calculated based on the asset base.

During the year 2018 the Company submitted the zakat return for the year 2017 and obtained a limited certificate to that effect. The Company has not received any assessment during the year.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

13. END OF SERVICE BENEFITS

The Company has an unfunded plan for defined benefit obligation of end of service benefits. Cash generated by operations are considered sufficient to meet these obligations as they become due.

13.1. Movements in defined benefit obligation

	31 December 2018 SR	31 December 2017 SR
Defined benefit obligation		
Opening defined benefit obligation, 1 January	**10,709**	5,460
Employees terminal benefits recognized as expense for the year		
Current service cost	**3,142**	2,126
Past service cost	**1,374**	2,795
Interest cost	**493**	300
Employees terminal benefits recognized as expense for the year	**5,009**	5,221
Benefits paid	**(1,059)**	(510)
Amount of loss / gain recognized in other comprehensive income		
Actuarial gain or loss on obligation	**(879)**	538
Closing defined benefit obligation, 31 December	**13,780**	10,709

13.2. Significant assumptions

The significant assumptions used in determining defined benefit obligations for the year ended are as follows:

	31 December 2018	31 December 2017
Discount rate	**5.2%**	5.0%
Long term salary increases	**5.0%**	5.0%

13.3. Sensitivity analysis

	31 December 2018	31 December 2017
Discount rate + 100 bps	**243,365**	184,604
Discount rate – 100 bps	**309,171**	238,119
Long term salary increases + 100 bps	**308,874**	237,815
Long term salary increases – 100 bps	**243,050**	184,392

14. SHARE CAPITAL

The Company's authorized share capital consists of 100 million shares (31 December 2017: 100 million shares / 1 January 2017: 100 million shares) of Saudi Riyals 10 each. As at 31 December 2018, 25 million (31 December 2017: 25 million / 1 January 2017: 25 million) shares of Saudi Riyals each have been fully paid up.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

15. REVENUE

		31 December 2018	31 December 2017
Disaggregation of revenue by major service category			
Asset Management fee income netted with referral charges		**241,726**	241,538
Brokerage commission income		**31,542**	18,270
Custody fee income		**3,312**	7,657
Invest banking fee income		**23,293**	37,685
Income from Murabaha Wakala services		**13,723**	9,234
	a & b	**313,596**	314,566
Income from margin lending		**13,337**	3,757
		326,933	318,141

Disaggregation of revenue by customer type	31 December 2018	31 December 2017
Related parties (note 9)	**245,730**	242,289
Corporates	**26,604**	45,342
Others	**41,262**	26,753
	313,596	314,566

Disaggregation of revenue by recognition principle	31 December 2018	31 December 2017
Recognized at point in time	**54,835**	55,955
Recognized over time	**258,761**	258,429
	313,596	314,566

16. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
IT maintenance and support expenses	**11,311**	7,953
Board remuneration	**1,207**	153
Administrative charges	**3,703**	4,013
Professional fees	**3,958**	1,641
Advertisement	**1,800**	1,631
Other expenses	**2,025**	2,066
	24,004	17,457

17. ASSETS HELD UNDER FIDUCIARY CAPACITY

Assets under management

These represent the mutual funds' assets and investments managed by the Company on behalf of its customers, which amount to SR 37,700 million as at 31 December 2018 (31 December 2017: SR 33,998 million and 1 January 2017: SAR 25,728 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

17. ASSETS HELD UNDER FIDUCIARY CAPACITY *(continued)*

Clients' cash accounts

Pursuant to the CMA's Authorized Persons Regulations requiring Client money segregation, the Company holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities. The Company is holding clients' cash accounts, which amounts to SR 1, 225 million as at 31 December 2018 (31 December 2017: 1,182 million and 1 January 2017: SR 1,093 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements.

18. REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012G (Corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum capital requirement and its calculation methodology. Company's objectives when managing capital are to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	31 December 2018	31 December 2017	1 January 2017
Capital base:			
Tier I Capital	**875,610**	624,392	370,265
Tier II Capital	**-**	13,308	9,604
Total Capital Base	**875,610**	637,700	379,869
Minimum Capital Requirement:			
Market Risk	**312**	900	1,465
Credit Risk	**317,879**	268,364	160,398
Operational Risk	**43,554**	32,487	20,248
Total Minimum Capital Required	**361,745**	301,751	182,111
Capital adequacy ratio:			
Surplus in Capital	**513,865**	335,949	197,758
Total Capital Ratio (times)	**2.42**	2 .11	2.09

a) The comparative information has been extracted from the Company's annual Capital Adequacy Model for 31 December 2017 and 31 December 2016 submitted to CMA.

b) Capital Base of the Company comprise of:

- **Tier-I capital** consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves, with certain deductions as per the Rules.
- **Tier-II capital** consists of revaluation reserves with certain deductions as per the Rules.

The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in the Rules.

19. CONTINGENCIES OR COMMITMENTS

The Company has no material contingencies or commitments as at 31 December 2018, 31 December 2017 and 1 January 2017.

20. FINANCIAL INSTRUMENTS RISK

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value risk, and commission rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, portfolio financing receivables and certain other assets. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

Financial assets and financial liabilities are offset and net amounts are reported in the financial statements, when the Company has legally enforceable right to off-set the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The most significant financial risks to which the Company is exposed are described below.

I. Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Except for the investment in a foreign private equity fund, the Company's does not have any other significant foreign currency exposure as transactions are principally carried out in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not material.

Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified year. Management monitors the market changes in commission rates on regular basis to minimize commission rate risk.

Fair value risk

The Company is exposed to market risk with respect to its investments. The Company limits market risks by diversification of its investments and monitoring continuously the developments in the stock and international funds markets. In addition, the key factors that affect the equity and debt market movements are monitored including analysis of the operational and financial performance of investees.

Price risk

Price rick is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

20. FINANCIAL INSTRUMENTS RISK *(continued)*

II. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its cash at bank, portfolio financing receivables, asset management fee receivables, investment banking fee receivables. The credit risk against bank is generally managed on the basis of external credit grading of the bank. The Company's management seeks to limit its credit risk by monitoring credit exposures asset management fee receivables from the funds managed by it and does not consider itself exposed to significant credit risk in respect of these balances because of having a priority as creditor over the unit holders of the fund. The Company requires collateral from clients against portfolio financing which is monitored for market value of the collateral held in customer accounts under fiduciary asset. For other financial assets credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties. The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December 2018	31 December 2017	1 January 2017
Rated at least A-			
Cash and cash equivalents	**259,489**	59,598	63,508
Unrated			
Secured			
Portfolio financing receivable	**439,519**	70,284	26,806
Investment banking receivables	**38,270**	38,728	-
Asset management fee receivable from funds managed by the Company	**198,991**	102,426	65,112
Unsecured			
Financial assets at fair value through profit or loss	**252,430**	227,227	197,087
Financial assets at fair value through other comprehensive income	**36,931**	38,068	39,173
Investment banking receivables	**817**	458	3,410
Net investment in finance lease	**-**	72,463	-
Custody fee receivables	**13,325**	10,578	5,288
Wakala receivable	**4,178**	1,138	1,239
Accrued profit on Sukuk	**511**	127	148
Loan to related party	**1,411**	1,442	1,091
Staff loan	**1,451**	1,143	1,772
VAT refundable	**9,650**	-	-
Receivable against disposal of investment	-	-	13,244
Other receivables	-	-	5,021
Total exposure to credit risk	**1,256,973**	623,680	422,899

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may also result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any current and future financial commitments as and when they fall due. As at 31 December 2018 and 2017, all financial liabilities were current in nature.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

20. FINANCIAL INSTRUMENTS RISK *(continued)*

Classification of financial instruments

	31 December 2018	31 December 2017	1 January 2017
Financial assets as per statement of financial position			
Financial assets at amortized cost			
Cash and cash equivalents	**259,360**	59,598	63,508
Portfolio financing receivables	**438,519**	70,284	26,806
Net investment in finance lease	**-**	72,463	-
Asset management fee receivables	**198,991**	102,884	65,084
Investment banking fee receivables	**39,087**	38,728	3,410
Custody fee receivables	**13,325**	10,578	5,288
VAT refundable	**9,650**	-	-
Other receivables	**7,551**	3,850	22,543
Financial assets at fair value through profit or loss			
Mutual funds	**68,319**	104,850	104,227
Private funds	**182,380**	120,228	90,105
Listed equities	**1,731**	2,149	2,755
Financial assets at fair value through other comprehensive income			
Sukuk	**36,929**	38,066	39,171
Others	**2**	2	2

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial instruments comprise financial assets and financial liabilities. The Company's financial assets and liabilities consist of cash and cash equivalents, investments, portfolio financing receivables and certain other assets.

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. Trading investments are carried at fair value.

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Total
Financial assets				
31 December 2018				
- Fair value through profit or loss	**1,731**	**250,699**	**-**	**252,430**
- Fair value through other comprehensive income	**-**	**36,931**	**-**	**36,931**
31 December 2017				
- Fair value through profit or loss	2,149	225,078	-	227,227
- Fair value through other comprehensive income	-	38,068	-	38,068
1 January 2017				
- Fair value through profit or loss	2,755	194,332	-	197,087
- Fair value through other comprehensive income	-	39,173	-	39,173

22. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company adopted IFRSs beginning from 1 January 2018. According to IFRS 1-First-time adoption of IFRSs the changes in accounting policies are applied retrospectively to all periods presented, therefore, the date of transition to IFRS is 1 January 2017. As a result of IFRS transition, line items in the 31 December 2017 and 1 January 2017 statement of financial position have been restated as set out below.

A) IFRS 9 Financial Instruments

IFRS 1 allows first-time adopters certain optional exemptions from the retrospective application of certain requirements under IFRS. The Company has applied the optional short term exemption allowed under Appendix E of IFRS 1, that allows exemption from the requirement to restate comparative information for IFRS 9 (completed version issued in 2014) to the extent the information relates to the disclosures required by IFRS 7. The Company has measured impairment losses for comparative information using SOCPA.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

22.1. Reconciliation of statement of financial position

		As at 31 December 2017			
	Notes	SOCPA	Reclassifications	IFRS adjustments	IFRS
ASSETS					
Current assets					
Cash and cash equivalents		59,598	-	-	59,598
Trade and other receivables	A, E	-	241,857	-	241,857
Portfolio financing receivables	A	66,796	(66,796)	-	-
Current portion of net investment in a finance lease		4,864	-	-	4,864
Held for trading investments	A	5,354	(3,205)	(2,149)	-
Investment at fair value through profit or loss		-	-	2,149	2,149
Prepayments	A	161,805	(159,528)	-	2,277
Total current assets		298,417	12,328	-	310,745
Non-current assets					
Available for sale investments		259,941	-	(259,941)	-
Investment at fair value through profit or loss	A	-	3,205	221,873	225,078
Investments at fair value through other comprehensive income		-	-	38,068	38,068
Investment properties		80,372	-	-	80,372
Net investment in a finance lease		67,599	-	-	67,599
Capital work in progress	A	6,628	(6,628)	-	-
Tangible and intangible assets	A	4,249	6,628	-	10,877
Total non-current assets		418,789	3,205	-	421,994
TOTAL ASSETS		717,206	15,533	-	732,739

a) The credit loss allowance related to portfolio financing receivables, asset management fee receivables etc. have been recognized in opening retained earnings of 2018 in accordance with exemption available for first time adopter of IFRSs under IFRS 1-First time adoption of IFRSs.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

Reconciliation of statement of financial position *(continued)*

		As at 31 December 2017			
	Notes	SOCPA	Reclassification	IFRS adjustments	IFRS
LIABILITIES					
Current liabilities					
Due to related party		25,936	-	-	25,936
Accrued expenses and other liabilities	E	38,327	15,533	-	53,860
Provision for zakat		6,550	-	-	6,550
Total current liabilities		70,813	15,533	-	86,346
Non-current liability					
End of service benefits	C	8,093	-	2,616	10,709
TOTAL LIABILITIES		78,906	15,533	2,616	97,055
SHAREHOLDER'S EQUITY					
Share capital		250,000	-	-	250,000
Statutory reserve		43,365	-	-	43,365
Retained earnings	C	331,627	-	10,692	342,319
Fair value reserve for available for sale investments	22.4	13,308	-	(13,308)	-
TOTAL SHAREHOLDER'S EQUITY		638,300	-	(2,616)	635,684
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		717,206	15,533	-	732,739

b) The Company has applied the requirements of IAS19 Employee Benefits. Under IFRS, pension liabilities are recognized on an actuarial basis. The pension liability has been recognized in full against retained earnings

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

22.2. Reconciliation of statement of financial position

		As at 1 January 2017			
	Notes	SOCPA	Reclassification	IFRS adjustments	IFRS
ASSETS					
Current assets					
Cash and cash equivalents		63,508	-	-	63,508
Trade and other receivables	A, E	-	128,664	-	128,664
Portfolio financing receivables	A	26,806	(26,806)	-	-
Current portion of net investment in a finance lease		-	-	-	-
Held for trading investments	A	7,155	(4,400)	(2,755)	-
Investment at fair value through profit or loss		-	-	2,755	2,755
Prepayments	A	99,601	(96,325)	-	3,276
Total current assets		197,070	1,133	-	198,203
Non-current assets					
Available for sale investments		229,105	-	(229,105)	-
Investment at fair value through profit or loss	A	-	4,400	189,932	194,332
Investments at fair value through other comprehensive income		-	-	39,173	39,173
Capital work in progress	A	1,165	(1,165)	-	-
Tangible and intangible assets	A	3,778	1,165	-	4,943
Total non-current assets		234,048	4,400	-	238,448
TOTAL ASSETS		431,118	5,533	-	436,651

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*
Reconciliation of statement of financial position *(continued)*

		As at 1 January 2017			
	Notes	SOCPA	Reclassification	IFRS adjustments	IFRS
LIABILITIES					
Current liabilities					
Accrued expenses and other liabilities	E	32,713	5,533	-	38,246
Provision for zakat		12,465	-	-	12,465
Total current liabilities		45,178	5,533	-	50,711
Non-current liability					
End of service benefits	C	6,071	-	(611)	5,460
TOTAL LIABILITIES		51,249	5,533	(611)	56,171
SHAREHOLDER'S EQUITY					
Share capital		250,000	-	-	250,000
Statutory reserve		17,892	-	-	17,892
Retained earnings	C	102,373	-	10,215	112,588
Fair value reserve for available for sale investments	22.4	9,604	-	(9,604)	-
TOTAL SHAREHOLDER'S EQUITY		379,869	-	611	380,480
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		431,118	5,533	-	436,651

.

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

22.3. Reconciliation of profit or loss account

	Notes	31 December 2017 SOCPA	Reclassifications	IFRS adjustments	IFRS
INCOME					
Revenue from contract with customers	B	314,384	(5,477)	-	308,907
Income from Murabaha and Wakala	B	-	9,234	-	9,234
Net income or loss from investments at fair value through profit or loss	D	4,596	4,877	2,243	11,716
Income from investments at fair value through other comprehensive income	D	-	-	1,461	1,461
Other income	B	12,630	(8,634)	-	3,996
TOTAL INCOME		331,610	-	3,704	335,314
EXPENSES					
Salaries and employees related expenses	C	(58,685)	-	(2,689)	(61,374)
Rent and premises expenses		(990)	-	-	(990)
General and administrative expenses	B	(18,164)	707	-	(17,457)
Depreciation and amortization expense	B	-	(707)	-	(707)
TOTAL EXPENSES		(77,839)	-	(2,689)	(80,528)
INCOME BEFORE ZAKAT		253,771	-	1,015	254,786
Zakat		956	-	-	956
NET INCOME FOR THE YEAR		254,727	-	1,015	255,742

22.4. Total equity reconciliation as at 31 December 2017 and 1 January 2017

	Note	**31 December 2017**	**1 January 2017**
Total equity under SOCPA		638,300	379,869
IFRS adjustments			
Re-measurement (loss) / gain on end of service benefits	23.5	(2,616)	611
Total equity under IFRS		635,684	380,480

(All amounts are rounded to nearest thousands of Saudi Riyal unless otherwise stated)

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

22.5. Notes to the IFRS reconciliations

A Reclassifications in statement of financial position

Following reclassifications are made in these financial statements under SOCPA, to comply with presentation requirements of IFRSs.

From	To	31 December 2017	1 January 2017
	Current assets		
Receivables against portfolio financing	Trade and other receivables	66,796	26,806
Prepayments and other assets	Trade and other receivables	159,528	96,325
Held for trading investments	Investments at fair value through profit or loss - non-current	3,205	4,400
	Non-current assets		
Capital work in progress	Tangible and intangible assets	6,628	1,165

B Reclassifications in profit or loss account

The revenue items were reclassified to bring revenue from contracts with customers together as required by IFRS 15.

Reclassifications in statement of profit and loss for the year ended:

From	To	31 December 2017
	Revenue	
Asset management fees, net	Revenue from contract with customers	250,772
Asset management fees, net	Income from Murabaha and Wakala	(9,234)
Investment banking fees	Revenue from contract with customers	37,685
Brokerage commission, net	Revenue from contract with customers	18,270
Custody fees	Revenue from contract with customers	7,657
Other income	Revenue from contract with customers	3,757

From	To	
Other income	Dividend income	4,877
Other income	Income from investments at fair value through other comprehensive income	1,461
Other income	Income from margin lending	3,757
		10,095

Depreciation expense was reclassified out of general and admin expenses to present it on the face of statement of profit or loss.

	Operating expenses	
General and admin expenses	Depreciation expense	707

FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

C End of service benefits

Under the SOCPA, the Company calculated the provision for end of service benefits as the current value of the vested benefits to which the employee is entitled, should the employee leave at the employee leave at the statement of financial position date. Under IFRS, end of service benefits obligation measurement involves making a reliable estimate of the ultimate cost to the Company of the benefit that employees have earned in return for the service using actuarial assumptions. The obligation is measured on a discounted basis to reflect the time value of money.

As a result of applying IFRS requirements described above, an adjustment to defined benefit liability was recognized amount to SR 2,689,000 against salaries expense for the year ended 31 December 2017 and SR 611,000 against retained earnings as of 1 January 2017.

D On adoption of IFRS 9 the Company applied the classification and measurement principles retrospectively to all periods presented, as a result the net movement in fair value reserve was derecognized from equity and realized gain was reduced by an amount of SR 1,584,000 and unrealized gain was recognized in profit and loss account by SR 5,288,000 for the year ended 31 December 2017.

E The Company had previously netted the credit balance of asset management fee received in advance against asset management fee receivables. To rectify this error in presentation, an adjustment was made to gross up asset management fee receivables and record asset management fee received in advance as current liability by an amount of SR 15,533,000 and SR 5,533,000 as of 31 December 2017 and 1 January 2017 respectively.

23. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual years beginning on or after 1 January 2019 and earlier application is permitted. However, the Company has not yet early adopted them in preparing these financial statements.

a) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company has completed an initial assessment of the potential impact on its Financial Statements but has not yet completed its detailed assessment. IFRS 16 will be adopted in the Company's financial statements for the annual year beginning 1 January 2019. The Company expects any adjustment to be immaterial.

23. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continue)*

b) Other Amendments

The following amendments to standards are not yet effective and none are expected to have a significant impact on the Company's interim financial statements:

- Business Combinations (Amendments to IFRS 3)
- Joint Arrangements (Amendments to IFRS 11)
- Income Taxes (Amendments to IAS 12)
- Borrowing Costs (Amendments to IAS 23)
- Uncertainty over Income Tax Treatments (Amendments to IFRIC 23)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's board of directors on 20 Jumada Al-Thani 1440H (corresponding to 25 February 2019G).