سدرة المالية
Sidra Capital

BOARD OF DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2018

BOARD OF DIRECTORS' REPORT 2018

Introduction

The Board of Directors Report of Sidra Capital ('Sidra Capital' or 'Sidra' or 'the Authorized Person') for the financial year ended 31 December 2018 is prepared in accordance with the Capital Market Authority's circular (#18/6970/6/3/ص) dated 22/2/1440 H corresponding to 31 October 2018.

Sidra Capital is committed to adopting widely accepted and industry standard corporate governance practices that are aligned to prevailing regulations issued by the relevant authorities in the Kingdom of Saudi Arabia. Sidra Capital's main corporate governance objective is to uphold the interests of its shareholders and stakeholders by operating in accordance with the prescribed rules and regulations of the Capital Market Authority.

Licensed activities

The company is licensed by the Capital Market Authority 'CMA' to conduct the following activities as an Authorized Person:

- Dealing as (Principal, Underwriter and Agent)
- Managing (Investment Fund Management and Discretionary Portfolio Management)
- Arranging
- Advising
- Custody

Offices and subsidiary details

Jeddah (headquarters)

Suite 308,
Level 3, Al Murjanah Tower, Prince Sultan Street
PO Box 118528
Jeddah 21312
Kingdom of Saudi Arabia

Riyadh (branch)

Office 11, First Floor, Building (B)
Al Nemer Al Nakheel Center
5262 Al Imam Saud Ibn Abdul Aziz Road
An Nakheel
Riyadh 12381
Kingdom of Saudi Arabia

Sidra Capital (UK) Limited (subsidiary)

48 Charles Street
Mayfair, London W1J 5EN
United Kingdom

Sidra Capital (UK) Limited is a 100% subsidiary of the company that was incorporated in the United Kingdom in 2017 and is currently operating in London. Its main activity is to provide real estate advisory services. The subsidiary is working to enhance in-house capabilities to support the group's asset management activities related to its real estate investment strategies. It has an issued and paid-up capital of £100,000.

Financial Highlights

SAR (000)	2018	%	2017	%	2016	%	2015	%	2014
Earnings									
Total revenue	**52,372**	58%	33,136	-2%	33,709	28%	26,237	16%	22,606
Operating expenses	**31,265**	39%	22,511	4%	21,664	18%	18,339	13%	16,278
Net income	**17,681**	84%	9,617	13%	8,542	6%	8,052	13%	7,112

SAR (000)	2018	%	2017	%	2016	%	2015	%	2014
Financial Position									
Total assets	**121,642**	12%	108,776	9%	100,129	16%	86,336	10%	78,600
Total liabilities	**10,624**	7%	9,956	-10%	11,007	91%	5,757	66%	3,469
Shareholders' equity	**111,018**	12%	98,820	11%	89,122	11%	80,579	7%	75,131

Review of Activities

Business Review

2018 marked the company's 10th anniversary and was one of the most successful years in its history. Net income before zakat increased by 52.7% from SAR 12.2 million to SAR 18.6 million, equating to earnings per share of SAR 1.96. Assets under management grew by 34.7%, from SAR 4.9 billion to SAR 6.6 billion, while our cost-to-income ratio improved to 55% (2017: 69%) despite the rise in operating expenses arising from the scale of our expansion.

Sidra Capital has matured into a global organisation and our geographic footprint continues to grow. At the same time, the company has adopted strategic and operational policies in keeping with this status and which it continues to refine, creating an institutional structure and internal resources that will underpin our continued growth – domestically, regionally and internationally. The volume of transactions reached record levels in 2018, which ended with total assets under management reaching a new high of SAR 6.6 billion.

In keeping with the company's strategy of investing in income generating real estate, it negotiated the acquisition of five properties during 2018 – three in the UK, one in Europe and one in Australia – and acquired an industrial portfolio in the USA. The company also exited four investments – three in the UK and one in the USA – in the process achieving very satisfactory returns.

With assets of $223 million, the company's flagship Sidra-Ancile Global Structured Trade Investment Fund is one of the largest of its kind globally and the first of its kind in Saudi Arabia. The fund is a partnership with Swiss-based sister company INOKS Capital and offers unique opportunities for investors seeking income-producing investments with sustainable returns. The fund invests across Africa, Eastern Europe, Asia, and the MENA region – supporting growth in the real economy by actively providing working capital to non-speculative value-added SMEs focusing on agricultural commodities, energies, and metals.

In private equity, Sidra Capital works with high-quality and experienced general partners to provide our investors with enhanced diversification and superior returns. During 2018, one investment was exited, achieving an impressive 27% internal rate of return.

Sidra Capital's Corporate Finance and Advisory division specialises in debt and equity arrangement and financial restructuring. In 2018, the team assisted a Jeddah-based conglomerate by applying tangible cost-cutting efforts to improve its financial position and prepare for future growth. The company also advised a family conglomerate on its entry into the Turkish equity market.

Investment Advisory is Sidra Capital's newest business division, strategically revived during the year to support the company's future growth. The division is positioned as a bridge between investment opportunities and the company's growing client base, extending bespoke investment advisory services.

Our focus for the next few years will continue to be on income-generating real estate and structured trade finance.

Corporate Review

The rapidly growing scale of Sidra Capital's operations – and their increasing complexity – demands a corresponding back-office platform to support future growth. Areas such as corporate governance, compliance, finance, risk management, human resources, technology, and legal need to become institutionalised and re-fashioned as corporate cornerstones.

Internally, 'Project Alpha' was our major 2018 initiative, the objective being to reorganise and streamline the company's policies and procedures manuals for all areas so that they reflect our current requirements. In recognising the importance of technology, the company is rapidly embracing automation in asset management back room operations, which is expected to contribute towards improved productivity and efficiency. This is to be followed by upgrading of the accounting system to enable better and more robust integration.

Sidra Capital is enhancing departmental strengths and responsibilities, fully cognisant of the need to stay abreast of regulatory requirements. Saudi nationals comprise more than 60% of the company's workforce and 25% are female. Training and development remain ongoing areas of focus. As part of our commitment to building an indigenous industry in line with Saudi Arabia's Vision 2030, we continue to expand the Sidra Capital Young Professionals Trainee Program, preparing Saudi nationals for a career in financial services. Now in its third year, the program has proved successful in producing rising stars and supporting Sidra Capital's growth.

Launch of a new website during 2018 came in parallel with a refreshed Sidra Capital brand identity that features a new version of the company logo with colours enhanced to reflect a fresh and modern image. The new website is part of a continuing process that keeps pace with the company's own evolution and the changes occurring within the marketplace. The latest version offers an enhanced user experience and enables investors and other external stakeholders to more easily access information about the company.

Board of Directors

Sidra Capital's Board of Directors 'Board' comprises five members who are elected by shareholders for a period of three years. Each member can be re-elected upon completing the initial term, in accordance with the company's bylaws. The Board is responsible for providing strategic guidance to the business and affairs of the company, based on its vision and objectives.

The Board's key responsibilities include providing guidance on enhancing Sidra Capital's performance, and protecting and enhancing the interests of shareholders while managing the interests of various other stakeholders. Other key roles of the Board include:

- Reviewing and providing strategic guidance on corporate strategy, major plans of action including capex, acquisitions and divestitures, risk appetite, annual budgets and business plans, and business performance.
- Monitoring and continuously improving the effectiveness of the company's governance practices.
- Ensuring that appropriate policies and procedures are in place and in line with the overall direction of the company.
- Reviewing and approving the evolution of the company's organizational and functional structures.
- Monitoring and managing potential conflicts of interest of Board members, senior management, and shareholders including misuse of Sidra Capital's assets, and abuses in related-party transactions.
- Forming Board sub-committees as required, with clearly defined tasks, rights, and obligations.
- Ensuring the integrity of Sidra Capital's accounting and financial reporting systems, including the independent audit. Also ensure that appropriate systems are in place for risk management, financial and operational control and compliance with the law and relevant standards.

Board members

Name	Membership classification	Position
Ahmed Salem Bugshan [1]	Non-Executive	Chairman
Anas Mohammed Saleh Seirafi [2]	Independent	Chairman
Hani Othman Baothman	Non-Executive	Vice Chairman
Shaukat Aziz	Independent	Board Member
Ammar Farouq Zahran	Non-Executive	Board Member
Muhammad Currim Oozeer	Executive	Board Member and Chief Executive Officer

[1] Resigned from the Board of Sidra Capital on 4 April 2018
[2] Appointed as Chairman of the Board on 16 May 2018

Board meeting attendance

Board meetings attendance record for the financial year ended 31 December 2018:

Name	First meeting: 20 March 2018	Second meeting: 4 November 2018
Ahmed Salem Bugshan	⦿	○
Anas Mohammed Saleh Seirafi	○	⦿
Hani Othman Baothman	⦿	⦿
Shaukat Aziz	⦿	⦿
Ammar Farouq Zahran	⦿	⦿
Muhammad Currim Oozeer	⦿	⦿

(Key: ⦿ Attended ○ Absent)

Board memberships in other companies

Name	Position	Name of the company	Legal structure
Ahmed Salem Bugshan	Chairman and Chief Executive Officer	Middle East & North Africa Beverages Manufacturing Company	Limited liability company
	Vice Chairman	International Investment Bank	Limited liability company
	Chairman	Saudi Steel Company	Limited liability company
	Chairman	Ebtikar Entertainment Co., Ltd.	Limited liability company
	Chairman	Ahmed Salem Bugshan for Trading Co., Ltd.	Limited liability company
	Chairman	Ahmed Salem Bugshan for Iron Trading	Limited liability company
Anas Mohammed Saleh Seirafi	Vice Chairman	Taiba Holding Company	Public company limited by shares
	Board Member	Umm Al Qura Construction & Development	Closed joint stock company
Hani Othman Baothman	Board Member	Al Murjan United Arabia Limited	Limited liability company
	Board Member	Al Murjan International Holding Limited	Company limited by shares
	Board Member	Alkhozama Management Company	Limited liability company
	Board Member	Altaif Investment and Tourism Company	Limited liability company
	Chairman	INOKS Capital Ltd	Limited liability company
	Board Member	Sidra Capital (UK) Limited	Private company limited by shares
Shaukat Aziz	Board Member	Millennium & Copthorne Hotels PLC	Public company limited by shares
	Board Member	Berggruen Institute of Governance	Nonprofit organization
	Board Member	Saudi Cable Company[3]	Joint stock company
Ammar Farouq Zahran	Board Member	Al Murjan United Arabia	Limited liability company
	Board Member	Al Murjan International Holding Limited	Company limited by shares
Muhammad Currim Oozeer	Board Member	INOKS Capital Ltd	Limited liability company
	Board Member	Sidra Capital (UK) Limited	Private company limited by shares

[3] Resigned from the Board of Saudi Cable Company on 11 February 2018

Board sub-committees

Sidra Capital's two Board sub-committees provide assistance to the Board to effectively discharge its responsibilities. The sub-committees' roles include:

- Advising the Board on complex issues in a more efficient manner by allowing specialists to focus on specific issues and provide detailed analyses and recommendations.
- Assisting the Board to develop subject-specific expertise on the company's operations, most notably on financial reporting, risk management and internal controls.
- Enhancing the objectivity and independence of Board decisions, insulating it from potential undue influence.

Sidra Capital's Board sub-committees are:

1 Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee 'ARCC' is a Board sub-committee which has the vested authority to make recommendations to the Board for its approval.
The ARCC assists the Board in fulfilling its oversight responsibilities relating to:

- Preparation of financial statements and other financial information produced by the company for shareholders, the public and other stakeholders.
- Compliance with legal and regulatory requirements.
- Performance of the internal audit function.
- Proper functioning of the risk management, compliance and other governance activities.

ARCC members

Name	Position
Abdulelah Abdu Mukred	Chairman
Ammar Farouq Zahran	Member
Seedy Keita	Member

ARCC meeting attendance

ARCC meetings attendance record for the financial year ended 31 December 2018:

Name	First meeting: 11 March 2018	Second meeting: 31 May 2018	Third meeting: 16 September 2018	Fourth meeting: 24 December 2018
Abdulelah Abdu Mukred	⦿	⦿	⦿	⦿
Ammar Farouq Zahran	⦿	⦿	⦿	⦿
Seedy Keita	⦿	⦿	⦿	⦿

(Key: ⦿ Attended ○ Absent)

2 Nomination & Remuneration Committee

The Nomination & Remuneration Committee 'NRC' is a Board sub-committee that establishes and implements principles and parameters underlying the process of nominating and remunerating Board directors and senior management. The NRC undertakes the following duties and responsibilities:

- Review the Board's composition and ensure it has the appropriate mix of skills, experience and other factors required by the company and regulatory authorities to fulfil its responsibilities.
- Review and make recommendations to the Board on the compensation of directors and senior management.

NRC members

Name of the Member	Position
Ahmed Salem Bugshan [4]	Chairman
Ammar Farouq Zahran	Member
Hani Othman Baothman	Member

[4] Resigned from the Board on 4 April 2018

NRC meeting attendance

NRC meetings attendance record for the financial year ended 31 December 2018:

Name	Meeting date: 20 March 2018
Ahmed Salem Bugshan	⦿
Ammar Farouq Zahran	⦿
Hani Othman Baothman	⦿

(Key: ⦿ Attended ○ Absent)

Board members' and senior executives' remuneration and compensation

The following is a detailed description of all expenses, remuneration, and salaries paid to Board members and the top five senior executives, including the Chief Executive Officer and Finance Manager, for the financial year ended 31 December 2018.

Description	Executive Board members	Non-executive and independent Board members	Top five senior executives (CEO and Finance Manager included)
Salaries and wages	–	–	4,460,194
Allowances	–	–	–
Periodic and annual remuneration	–	50,000	1,180,000
Commissions	–	–	–
Incentive plans	–	–	–
Any compensation or in-kind benefits paid monthly or annually	–	–	–

Annual review of the company's internal systems and control procedures and the opinion of the Audit, Risk & Compliance Committee 'ARCC' with respect to the adequacy of the company's internal control system

In today's dynamic business environment, with the threat of emerging risks, rapid transformation in the securities business industry, and an increased regulatory focus, the Board established the ARCC with specific functions which primarily aims at providing support to the Board's oversight responsibilities.

In addition, the management established the Risk Management & Internal Audit division to provide independent assurance on the adequacy of risk management, governance, and internal control. The focus of the function is to enhance and protect stakeholder value through a risk-based approach to audit and its other activities.

In support, the company appointed PricewaterhouseCoopers 'PwC' to assist with the development and execution of a risk-based internal audit plan which was developed by conducting an entity-wide risk assessment.

Audits of high-risk divisions are conducted every year, and of medium-risk divisions every two years. During 2018, audits were undertaken for high-risk divisions including Asset Management, Compliance & AML, Finance, and Information Technology. For 2019, six audit reviews will be conducted, with a follow-up Internal Audit Report presented to the ARCC for the audits completed during 2018.

All audit reviews are presented to the ARCC in the form of Internal Risk Management and Audit Reports. In addition to the formal audit follow-up process, the Risk Management & Internal Audit division seeks periodic status updates from each of the divisions on the implementation of agreed management actions.

As part of the internal audit recommendations, the ARCC ensures that the results of the audit reviews and any corrective measures are implemented within the agreed timelines.

As management is responsible for establishing and maintaining an adequate and effective system of internal controls, existing policies and procedures are required to undergo annual review, with the findings submitted to the Board for approval.

In 2018, Sidra Capital embarked on a major project to streamline the company's policies and procedures to better support its strategic direction, while applying best practices in the securities industry and ensuring continuous compliance with the prevailing rules and regulations governing the company.

Based on the results of annual assessment, there was no fundamental weakness identified in the internal systems and control of the company. The ARCC believes that Sidra Capital has a sound and effective system of internal controls – both in design and implementation – and that the company is continuously striving for excellence to enhance value for stakeholders.

Risk management

Sidra Capital's diverse business activities require it to effectively identify, measure, aggregate, monitor and manage risks and to appropriately allocate capital among its businesses.

Given the company's size and operations, Sidra Capital has developed a risk management framework to identify and manage major risks. As outlined previously, the Board is assisted by sub-committees, particularly the ARCC, in fulfilling its oversight responsibility for risk management activities, and operating in accordance with best practices.

The company also has a Risk Management and Internal Audit division that is responsible for risk assessment and management, thus mitigating Sidra Capital's key operational and business risks and improving internal controls. Major risks to the company are:

(a) Credit risk

Credit risk is one of the most important operational risks that Sidra Capital faces, which is the failure of one or more of its major counter-parties. To mitigate this risk, the company has diversified its banking relationships across several Saudi and international banks. In managing its credit risk, the company applies the CMA Prudential rules, one of the components used to calculate minimum capital requirements.

(b) Market risk

Market risk is the risk that the value of an investment will decrease due to movements in the market. After discussions with Sidra Capital's external auditor, and considering that the company does not have a trading book, the only applicable market risk is foreign exchange. The company again applies the CMA Prudential rules to monitor the market risk, whilst continuing assessing any hedging requirements.

(c) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and the risk of loss arising from external events. The company applies the CMA Prudential rules to monitor operational risk. It also uses the expenditure-based approach, which adds a 25% risk charge to the previous year's level of operating expenses.

These risks are monitored monthly, as part of its management in determining the capital adequacy requirements specified by the CMA.

Penalties and fines

Sidra Capital conducts its businesses in line with the highest standards of ethics and in compliance with the relevant laws, regulations and regulatory directives issued by the supervisory and regulatory authorities in Saudi Arabia.

In 2018, a total fine of SAR 80,000 was imposed by the CMA on the company in relation to violation of Articles 17 and 22 of the CMA's AML & CTF Rules. This was brought to the attention of the ARCC and the Board as required by the CMA. As at 31 December 2018, all of these violations had been duly addressed and the Board requested the company to improve the relevant manuals and procedures to mitigate the risk of repeating the violations.

Loans

For the financial year ended 31 December 2018, Sidra Capital has no loans outstanding.

Arrangements or agreements under which a Director or senior executive of the company has waived any remuneration

Sidra Capital confirms that there has been no situation in which a Director or senior executive of the company has waived any remuneration for the financial year ended 31 December 2018.

Interests, contractual securities or rights issues of the Board members, senior executives and their relatives in shares or debt instruments of the company or its affiliates, and any changes in these interests or rights during the financial year ended 31 December 2018

Name	Position	Interest Status	Number of Shares As At 1/1/2018	Percentage shareholding As at 1/1/2018	Number of Shares as At 31/12/2018	Percentage Shareholding As at 31/12/2018	Share par Value (SAR)
Ahmed Salem Bugshan [5]	Chairman	Direct interest	500,400	5.56	500,400	5.56	10
Hani Othman Baothman	Vice-Chairman	Indirect interest	90,000	1	90,000	1	10
Ammar Farouq Zahran	Board Member	Indirect interest	1,440,000	16	1,440,000	16	10

[5] Resigned from the Board of Sidra Capital on 4 April 2018

Transactions with connected persons

Sidra Capital confirms that there were no transactions with connected persons during the financial year ended 31 December 2018.

Business activities or contracts to which the company is a party and in which a Board member or senior executive (or any associate of theirs) is or was interested, including the names of the persons in relation, and the nature, conditions, durations and amount of the business or contract

Sidra Capital confirms that there were no instances of business activities or contracts to which it is a party and in which a Board member or senior executive (or any associate of theirs) is or was interested during the financial year ended 31 December 2018.

Conclusion

The Sidra Capital Board extends its appreciation to the company's senior management and employees, whose dedication and efforts played such a vital role in the achievements and progress made during the year.

CONSOLIDATED FINANCIAL STATEMENTS 2018

KPMG Al Fozan & Partners
Certified Public Accountants
Zahran Business Centre, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com/sa

[illegible]

Independent auditors' report

To the Shareholders of Sidra Capital Company

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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.

1

Independent auditors' report

To the Shareholders of Sidra Capital Company (continued)

Auditors' 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 auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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, then we are required to draw attention in our auditors' 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 auditors' 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 of Sidra Capital Company ("the Company") (and its subsidiary) ("the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, Rajab 21, 1440H
Corresponding to March 28, 2019

2

Expressed in Saudi Arabian Riyals unless otherwise stated

	Note	31 December 2018	31 December 2017	1 January 2017
Assets				
Property and equipment	5	2,454,277	2,262,650	2,861,653
Intangible assets	6	111,545	20,725	29,817
Investment property	7	3,312,895	4,616,632	13,950,137
Investments at FVTPL	8	53,323,411	52,964,826	39,812,952
Non-current assets		59,202,128	59,864,833	56,654,559
Trade and other receivables	9	8,752,425	9,050,813	14,627,029
Prepayments	10	5,772,492	2,541,216	2,761,981
Murabaha deposits	11	–	9,683,897	–
Cash and cash equivalents	12	47,915,110	27,634,966	26,085,373
Current assets		62,440,027	48,910,892	43,474,383
Total assets		121,642,155	108,775,725	100,128,942
Equity				
Share capital	13	90,000,000	90,000,000	90,000,000
Statutory reserve	14	2,642,046	873,924	–
Foreign currency translation reserve		42,860	80,878	–
Retained earnings / (accumulated losses)		18,333,425	7,471,410	(1,162,486)
Total equity		111,018,331	98,426,212	88,837,514
Liabilities				
Employee benefits	15	4,097,763	3,361,432	2,629,074
Non-current liabilities		4,097,763	3,361,432	2,629,074
Trade and other payables	16	1,384,618	864,943	4,665,097
Accrued expenses	17	14,452	723,438	148,618
Accrued zakat and income tax	18	5,126,991	5,399,700	3,848,639
Current liabilities		6,526,061	6,988,081	8,662,354
Total liabilities		10,623,824	10,349,513	11,291,428
Total equity and liabilities		121,642,155	108,775,725	100,128,942

The notes on pages from 19 to 54 form an integral part of these consolidated financial statements.

Expressed in Saudi Arabian Riyals unless otherwise stated

	Note	31 December 2018	31 December 2017
Revenue			
Management services		46,582,205	29,520,301
Arrangement and advisory services		1,566,830	800,097
Operational investments		4,222,987	2,815,924
Total revenue		52,372,022	33,136,322
Operating expenses			
Salaries and employee related costs		(16,508,278)	(14,869,533)
Marketing and promotion expenses		(1,218,249)	(1,044,200)
General and administrative expenses	19	(10,088,633)	(6,899,144)
Reversal / impairment (loss) on trade receivable	9	13,263	(60,000)
(Loss) / reversal of the impairment on investment property	7	(1,303,737)	416,632
Loss on investments at FVTPL		(2,159,379)	–
Total operating expenses		(31,265,013)	(22,456,245)
Operating profit		21,107,009	10,680,077
Other income		343,217	714,004
Foreign currency gain / (loss)	20	(2,839,968)	795,402
Profit before zakat and income tax		18,610,258	12,189,483
Zakat and income tax	18	(929,032)	(2,517,578)
Profit for the year		17,681,226	9,671,905
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	15	(272,749)	(164,085)
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation reserve		(38,018)	80,878
Other comprehensive income for the year		(310,767)	(83,207)
Total comprehensive income for the year		17,370,459	9,588,698
Basic and Diluted Earnings Per Share	21	1.96	1.07

The notes on pages from 19 to 54 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity | For the year ended 31 December 2018

Expressed in Saudi Arabian Riyals unless otherwise stated

	Note	Share capital	Statutory reserve	Foreign currency Translation reserve	Retained earnings/ (accumulated losses)	Total equity
Balance as at 1 January 2017		90,000,000	–	–	(878,281)	89,121,719
Adjustment on initial application of IFRS		–	–	–	(284,205)	(284,205)
Restated Balance as at 1 January 2017		90,000,000	–	–	(1,162,486)	88,837,514
Profit for the year		–	–	–	9,671,905	9,671,905
Other comprehensive income		–	–	80,878	(164,085)	(83,207)
Total comprehensive income for the year		–	–	80,878	9,507,820	9,588,698
Transfer to statutory reserve		–	873,924	–	(873,924)	–
Balance at 31 December 2017		90,000,000	873,924	80,878	7,471,410	98,426,212
Adjustment on initial application of IFRS 9	28	–	–	–	(4,778,340)	(4,778,340)
Adjusted balance at 1 January 2018		–	–	–	2,693,070	2,693,070
Profit for the year		–	–	–	17,681,226	17,681,226
Other comprehensive income		–	–	(38,018)	(272,749)	(310,767)
Total comprehensive income for the year		–	–	(38,018)	17,408,477	17,370,459
Transfer to statutory reserve		–	1,768,122	–	(1,768,122)	–
Balance at 31 December 2018		**90,000,000**	**2,642,046**	**42,860**	**18,333,425**	**111,018,331**

The notes on pages from 19 to 54 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows | For the year ended 31 December 2018

Expressed in Saudi Arabian Riyals unless otherwise stated

	Note	31 December 2018	31 December 2017
Cash flow from operating activities			
Profit before zakat and income tax		18,610,258	12,189,483
Adjustments for:			
Depreciation on property and equipment	5	739,896	716,641
Amortization of intangibles	6	11,917	9,092
Reversal / impairment (loss) on trade receivable		(13,263)	60,000
Fair value loss on investment at fair value through profit or loss		2,159,379	–
Gain on sale of property and equipment		(2,199)	(3,094)
Foreign exchange loss on investment		2,747,093	–
Loss / (reversal) of the impairment on investment properties		1,303,737	(416,632)
Employee benefits		715,261	597,274
		7,661,821	963,281
		26,272,079	13,152,764
Changes in			
Decrease in trade and other receivables		298,388	6,011,806
(Increase) / decrease in prepayments		(3,231,276)	2,078,745
Increase / (decrease) in trade and other payables		519,675	(4,110,366)
(Decrease) / increase in accrued expenses		(708,986)	885,032
Cash generated from operating activities		23,149,880	18,017,981
Zakat paid	18	(1,201,741)	(966,517)
Employees' benefits paid	15	(251,679)	(29,001)
Net Cash generated from operating activities		21,696,460	17,022,463
Cash flow from investing activities			
Investment made during the year	8	(16,451,672)	(17,473,070)
Proceeds from murabaha deposits		9,683,897	(9,683,879)
Proceeds from sale of investments		6,476,096	4,321,187
Proceeds from sale of investment property		–	8,167,920
Additions to investment property	7	–	(771,353)
Additions in property and equipment	5	(933,564)	(140,358)
Proceed from disposal of property and equipment		4,240	27,142
Additions in intangible assets	6	(102,737)	–
Net cash used in investing activities		(1,323,740)	(15,552,403)
Net increase in cash and cash equivalents		20,372,720	1,470,052
Effect of currency exchange rates on cash and cash equivalents		(92,576)	79,541
Cash and cash equivalents at 1 January		27,634,966	26,085,373
Cash and cash equivalents at 31 December		47,915,110	27,634,966

The notes on pages from 19 to 54 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Sidra Capital ("the Company") is a Saudi closed joint stock company registered in Jeddah, Kingdom of Saudi Arabia under Commercial Registration No. 4030187025 on February 25, 2009, corresponding to 30/2/1430H. The Company commenced its operation as per the resolution of Ministry for Commerce and Industry, dated January 24, 2009, corresponding to 27/1/1430H.

The Company's principal activities are dealing as principal, agent, underwriting, managing, arranging, advising and custody services with respect to the securities business as per the license issued by The Capital Market Authority (CMA) number 08116-37 on September 1, 2008 and renewed for the period from 1 July 2018 to 30 June 2019.

The registered office of the Company is located at the following address:

Al Murjanah Tower, Al Rawdah District, 3rd Floor,

PO Box 118528, Jeddah 21312,

Kingdom of Saudi Arabia.

The Company also prepares a separate set of standalone financial statements.

These consolidated financial statements include the consolidated financial statements of the Company and the following subsidiary (collectively referred to as "the Group"):

Company	Country of incorporation	Ownership percentage	Principal activities
Sidra Capital(UK) Limited	England and Wales	100%	Management and advisory services

During the year ended December 31, 2017 the Company has established a new fully owned subsidiary in United Kingdom.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia.

For all periods up to and including the year ended December 31, 2017, the Company prepared and presented statutory consolidated financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the SOCPA. These consolidated financial statements for the year ended 31 December 2018, are the Company's first annual consolidated financial statements prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. Refer Note No. 28 for an explanation on how to obtain an explanation of the effect of the transition in GAAP to IFRS on the Group's financial position and financial performance.

(b) Basis of Measurement

These consolidated financial statements have been prepared using the accrual basis of accounting and the going concern assumption under the historical cost convention except for employee benefits which are recognized at the present value of future obligations using Projected Credit Unit Method).

Items	Measurement bases
Employees' Benefits	Present value of the defined benefit obligation, limited as explained in Note No. 15

2. BASIS OF PREPARATION Continued

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ('SR'), which is the Company's functional currency.

(d) Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

(e) Critical accounting judgments and estimates

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Useful lives and residual value of property and equipment and intangibles

The management determines the estimated useful lives of property and equipment and intangibles for calculating depreciation / amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation method and useful lives annually and future depreciation /amortization charges are adjusted where management believes these differ from previous estimates.

(ii) Impairment of non-financial assets

The Company reviews the carrying amounts of non-financial assets 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 for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss and other comprehensive income.

(iii) Employee benefits

The cost of the defined benefit plan (end of service benefits) and the present value of the end of service benefits obligation are determined using actuarial valuations. 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, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed.

2. BASIS OF PREPARATION Continued

(e) Critical accounting judgments and estimates Continued

(iv) Impairment of accounts and other receivable

For financial periods beginning on January 01, 2018, the Company follows an expected credit loss model for the impairment of accounts and other receivables, this requires the Company to take into consideration, certain estimates for forward looking factors while calculating probability of default. Until financial periods ended December 31, 2017, a provision for impairment of accounts receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(v) Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's audit committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note No. 3(d) – financial instruments.

3. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

The implementation (the "Implementation") of IFRS 9 and IFRS 15 by the Company for financial periods commencing January 1, 2018 has brought changes in the Accounting Policies. The Implementation details are as follows:

(i) IFRS 9 – Financial instruments

The Company has adopted IFRS 9 - Financial Instruments with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from pre-convergence GAAP Financial Instruments: Recognition and Measurement (the previous accounting standard for recognition and measurement of financial instruments applied in drawing up the financial numbers up to December 31, 2017). The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Key impact on the Company's accounting policies resulting from its adoption of IFRS 9 are summarized below:

(a) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing pre-convergence GAAP categories of held for trading, held to maturity and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Company classifies financial assets under IFRS 9, please refer note 3(d).

IFRS 9 largely retains the existing requirements in pre-convergence GAAP for the classification of financial liabilities. However, under IFRS 9 fair value changes of liabilities designated at fair value through profit or loss are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in statement of profit or loss and other comprehensive income.

For an explanation of how the Company classifies financial liabilities under IFRS 9, please refer note 3(d).

(b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in pre-convergence GAAP with an 'expected credit loss' model ("ECL"). IFRS 9 requires the Company to record an allowance for ECL for all financial assets exposed to credit risk that are not held at FVTPL. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

For an explanation of how the Company applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

In lieu of the exemption available under the IFRS, comparative periods have not been restated for the impact of IFRS 9 adoption. Hence, any differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and / or reserves (as appropriate) as at 1 January 2018. Accordingly, the information presented for the financial year ended December 31, 2017 does not reflect the requirements of IFRS 9.

3. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES Continued

(i) IFRS 9 – Financial instruments Continued

(c) Changes to measurement categories

The measurement category for cash and balances is same in IFRS 9 and pre-convergence GAAP. The following table shows the original measurement categories in accordance with pre-convergence GAAP and the new measurement categories under IFRS 9 for the Company's investments as at January 1, 2018.

Classification under pre-convergence GAAP	Classification under IFRS 9	Carrying value under pre-convergence GAAP	Carrying value under IFRS 9
Available for Sale	FVTPL	52,964,826	52,964,826

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

(i) The determination of the business model within which a financial asset is held.

(ii) The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.

(iii) For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in consolidated statement of profit or loss other comprehensive income.

It is assumed that the credit risk has not increased significantly for those financial assets who carry low credit risk at the date of initial application of IFRS 9.

(ii) IFRS 15 – Revenue from customer contracts

IFRS 15 replaces IAS 18 and introduces a new model for revenue recognition that is based on the transfer of control. This may impact the timing and amount of revenue that will be recognized compared to the previous revenue guidance. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company adoption of IFRS 15 did not have any material impact on its financial numbers, except for the addition of certain additional disclosures.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification.

Assets:

An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements:

- 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.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(a) Current versus non-current classification Continued

Liabilities:

A liability is current when:

- It is expected to be settled in 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

All other liabilities are classified as non-current.

(b) Property and equipment

Property and equipment are stated at cost and presented net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is not depreciated. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	Shorter of lease term or useful life of 5 years
Furniture and fixtures	10
Computer equipment	2-4

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of profit or loss and other comprehensive income. Property and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted prospectively, if required.

(c) Intangible assets

Intangible assets, other than goodwill, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization is calculated over the cost of the asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(d) Financial assets and liabilities

(i) Initial recognition and derecognition

The accounting guidance in respect of the initial recognition and derecognition of financial assets / liabilities is consistent between pre-convergence GAAP and IFRS 9. This is as follows:

Initial recognition

A financial asset or financial liability (unless it's a trade receivable / other receivable without a significant financing component) is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

Derecognition

A financial asset (or a part of a financial asset, or a part of a Company of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

(ii) Classification under IFRS 9

Financial Asset at amortized cost

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

- The asset is held within a business model whose objective is to hold assets 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 interest on the principal amount outstanding.

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' 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 lending 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 interest, the Company 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, considers:

- Contingent events that would change the amount and timing of cash flows;
- leverage features;
- Prepayment and extension terms;
- Terms that limit the Company'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 interest rates.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(d) Financial assets and liabilities Continued

(ii) Classification under IFRS 9 Continued

Financial Asset at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL. In addition, 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.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio 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 portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest 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 portfolio is evaluated and reported to the Company'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 Company'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 realized in a way that is different from the Company's original expectations, the Company 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.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(d) Financial assets and liabilities Continued

(ii) Classification under IFRS 9 Continued

Classification of financial liabilities

The Company classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

Financial liabilities classified as FVTPL using fair value option, if any, after initial recognition, for such liabilities, changes in fair value related to changes in own credit risk are presented separately in OCI and all other fair value changes are presented in the profit and loss.

Amounts in OCI relating to own credit are not recycled to the profit or loss even when the liability is derecognized and the amounts are realized.

Financial liabilities that are required to be measured at fair value through profit or loss will have all their fair value movements, including those related to changes in the credit risk of the liability, recognized in profit or loss.

(iii) Impairment in financial assets under IFRS 9

The Company recognizes loss allowances for ECL on financial assets that are debt instruments and are not carried at FVTPL, at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loss allowances for trade and other related receivables are always measured at an amount equal to lifetime ECL. The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

Stage 1 Performing assets: Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).

Stage 2 Underperforming assets: Financial assets that has significantly deteriorated in credit quality since origination

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(d) Financial assets and liabilities Continued

(iii) Impairment in financial assets under IFRS 9 Continued

This credit quality assessment is made by comparing the remaining lifetime PD as at reporting date with the remaining lifetime PD point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations). The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.

Stage 3 Impaired assets: For Financial assets that are impaired, the Company is recognize the impairment allowance based on life time PD.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECL.

The forward-looking information will include the elements such as macroeconomic factors (e.g., unemployment, GDP growth, inflation, profit rates and house prices) and economic forecasts obtained through internal and external sources.

(iv) Classification under pre-convergence GAAP

For financial periods ended December 31, 2017, the Company classified financial assets as follows:

Available for sale investments (AFS)

Available for sale investments are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Any unrealized gains or losses arising from changes in fair value are recognized in equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized are reclassified to statement of income for the period.

Reclassification of financial investments

Upon a change in intention or purpose for holding financial investment, these are re-measured to fair value and reclassified according to such change.

(e) Basis of consolidation

(i) Subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(e) Basis of consolidation Continued

(i) Subsidiary Continued

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; and
- The ability to use its power over the investee to affect its returns.

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

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.(a) Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Accounts payable, accruals and other current liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(g) Employee Benefits

Post-employment benefits

The Company's net obligations in respect of defined unfunded post-employment benefit plan ("the plan") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs. The discount rate used is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefits plan is determined using the projected unit credit method to determine the Company's present value of the obligation. As at the statement of financial position date, the Company's post-employment defined benefit plan is represented by employees' end of service benefit plan.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(g) Employee Benefits Continued

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before retirement date, or to provide termination benefits as a result of an offer to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer for voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the Company 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.

(h) Cash and cash equivalents

Cash and cash equivalents represents cash, balances with banks and other financial assets, with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

(i) Zakat and income tax

The Company is subject to zakat in accordance with the regulations of Saudi General Authority of Zakat and Income Tax ('GAZT'). Foreign subsidiary is subject to the relevant income tax regulation in its country of domicile. Zakat and its share in foreign subsidiary income tax is accrued and charged to consolidated statement of pofit or loss and other comprehensive income currently. Additional zakat and income tax liability, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

(j) Provisions, contingencies and commitments

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured. Certain provisions are based on management's estimate of the actual amount payable.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed in the statement of profit or loss and other comprehensive income.

Contingent liability is:

(a) A possible obligation that arises from past events and 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 entity; or

(b) A present obligation that arises from past events but is not recognized because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

4. SIGNIFICANT ACCOUNTING POLICIES Continued

(j) Provisions, contingencies and commitments Continued

Contingent liabilities are not recognized and are disclosed, unless the probability of an outflow of resources embodying economic benefits is remote.

Commitments represent binding agreements of the Company to carry out specified courses of action involving in a transfer of cash or other asset to the respective counterparties. For details of Company's contingencies and commitments at the reporting date, please refer note 22.

(k) Revenue recognition

Revenue is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Company recognize revenue when it transfers control over a product or service to a customer. The specific recognition criteria described below must also be met before the revenue is recognized.

Management Fees

Revenue from management services are recognized when the corresponding obligations have been performed.

Arrangement and Advisory Services

Arrangement fees are recognized when the deal is finalized with the client and the right to receive the arrangement fee is established.

Operational Investments

The Company earns pre-agreed revenue and fixed revenue on the investments in the projects and Real Estate Funds.

(l) Expenses

All expenses are classified as general and administrative expenses unless they are incurred for, and directly attributable to, the core revenue generating activities of the Company, in which case they are classified as direct expenses. Allocations of common expenses between direct expenses and general and administrative expenses, where required, are made on a consistent basis, appropriate to the nature of the item of expense and circumstances of the Company.

(m) Dividends

Final dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

(n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all dilutive potential ordinary shares.

(o) Fiduciary assets

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

5. PROPERTY AND EQUIPMENT

Movement in property and equipment during the year ended December 31, 2018 and 2017 is as follows:

	Leasehold improvement	Furniture and fixtures	Computer equipment	Total
Cost				
Balance at 1 January 2017	1,529,803	1,804,445	1,190,960	4,525,208
Adjustment on initial application of IFRS	-	-	(54,799)	(54,799)
Additions during the year	-	50,579	89,779	140,358
Effect of translation	-	954	737	1,691
Disposals	-	(44,575)	(54,471)	(99,046)
Balance at 31 December 2017	1,529,803	1,811,403	1,172,206	4,513,412
Balance at 1 January 2018	1,529,803	1,811,403	1,172,206	4,513,412
Additions during the year	599,537	89,882	244,145	933,564
Disposals	-	-	(16,887)	(16,887)
Balance at 31 December 2018	**2,129,340**	**1,901,285**	**1,399,464**	**5,430,089**
Accumulated depreciation				
Balance at 1 January 2017	76,489	750,630	806,619	1,633,738
Adjustment on initial application of IFRS	-	-	(24,982)	(24,982)
Depreciation	382,451	194,796	139,394	716,641
Effect of translation	-	199	156	355
Disposals	-	(32,374)	(42,616)	(74,990)
Balance at 31 December 2017	458,940	913,251	878,571	2,250,762
Depreciation	380,290	187,781	171,825	739,896
Disposals	-	-	(14,846)	(14,846)
Balance at 31 December 2018	**839,230**	**1,101,032**	**1,035,550**	**2,975,812**
Carrying amounts				
At 1 January 2017	1,453,314	1,053,815	354,524	2,861,653
At 31 December 2017	1,070,863	898,152	293,635	2,262,650
At 31 December 2018	**1,290,110**	**800,253**	**363,914**	**2,454,277**

6. INTANGIBLE ASSETS

Movement in intangible assets (represented by computer software) during the year ended December 31 2018 and 2017 is as follows:

	31 December 2018	31 December 2017	1 January 2017
Cost			
Balance at Beginning of the year	54,799	54,799	54,799
Additions	102,737	-	-
Balance as at year end	157,536	54,799	54,799
Accumulated amortization			
Balance at Beginning of the year	34,074	24,982	15,890
Amortization	11,917	9,092	9,092
Balance as at year end	45,991	34,074	24,982
Carrying amounts	111,545	20,725	29,817

7. INVESTMENT PROPERTY

Movement in investment property during the year ended December 31, 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Opening carrying amount	4,616,632	13,950,137
Additions during the year	–	771,353
Disposals during the year	–	(10,563,845)
Impairment (loss) / reversal for the year	(1,303,737)	416,632
Foreign exchange gain for the year	–	42,355
Closing carrying amount	3,312,895	4,616,632

7.1 The fair value of the investment property is SR 3.3 million as at 31 December 2018.

8. INVESTMENTS AT FVTPL

	Note	31 December 2018	31 December 2017	1 January 2017
Investment in private equities	8.1	23,068,376	25,494,132	14,991,074
Investments in mutual funds	8.2	25,907,105	22,024,812	19,375,996
Investments in other ventures	8.2	4,347,930	5,445,882	5,445,882
Closing balance		53,323,411	52,964,826	39,812,952

8. INVESTMENTS AT FVTPL Continued

8.1 Movement in Investment in Private equity

	31 December 2018	31 December 2017
Balance as at 1 January	25,494,132	14,991,074
Additions during the year	10,412,723	10,503,058
Disposals during the year	(7,762,203)	-
Fair value adjustment for the year	(5,076,276)	-
Closing balance	23,068,376	25,494,132

8.2 Movement in Investment in mutual funds

	31 December 2018	31 December 2017
Balance as at 1 January	22,024,812	19,375,996
Additions during the year	6,038,949	6,970,012
Disposals during the year	(150,000)	(4,321,196)
Fair value adjustment for the year	(2,006,656)	-
Closing balance	25,907,105	22,024,812

8.3 Investment in Private Equities

Name of Structure	Locality	Percentage of Holding	31 December 2018	31 December 2017
Tawazon Al Enjaz Co.	Saudi Arabia	9.0%	10,000	10,000
Greycoat Street	UK	1.8%	1,274,148	1,128,870
Dreakhouse	UK	8.3%	5,523,428	12,606,481
Mercy Health	USA	7.8%	12,898,584	10,503,669
Riverside	UK	0.8%	-	503,098
Chancery Lane	UK	2.2%	-	742,014
Industrial Portfolio	USA	1.8%	3,313,340	-
Quest	Australia	0.4%	48,876	-
Closing balance			23,068,376	25,494,132

8. INVESTMENTS AT FVTPL Continued

8.4 Investment in Mutual Funds

	Locality	Percentage of Holding	31 December 2018	31 December 2017
Sterling UK Real Estate Fund	UK	6.8%	1,952,211	4,209,046
Ancile Fund	Global	4.6%	21,115,833	15,928,555
Deco Opes	Africa	0.8%	304,061	272,559
Investcorp Gulf Institutional PE Fund	USA	0.7%	2,535,000	1,614,657
Closing balance			25,907,105	22,024,812

8.5 This represents Company's investment in private equity via equity injection and additional funding in the form of shareholder loan that does not carry a fixed repayment or return. The Company does not intend to call the additional funding in the foreseeable future. The entities have been established as part of structures for onward investment in real estate properties held for income generation and development.

8.6 At the reporting date, the investee funds comprises of trade finance based in Luxembourg and real estate funds are domiciled in Jersey.

8.7 As at 31 December 2017, available for sale investments have been carried at cost less impairment in accordance with the accounting policy stated in note 3(b). During 2018, due to application of IFRS 9, the Company changed its classification to Fair value through profit or loss (FVTPL) and as at 31 December 2018, investments are carried at Fair value with any changes in fair value are charged to profit or loss and any prior period changes in fair value has been recorded in retained earnings.

9. TRADE AND OTHER RECEIVABLES

	Note	31 December 2018	31 December 2017	1 January 2017
Current				
Trade receivables		4,044,761	5,251,320	10,935,676
Due from related parties - trade receivables	22	43,723	960,924	80,000
Accrued income		4,721,584	2,898,569	3,611,353
Gross trade and other receivables		8,810,068	9,110,813	14,627,029
Less: Provision for bad debts		(57,643)	(60,000)	-
Net trade and other receivables		8,752,425	9,050,813	14,627,029

9. TRADE AND OTHER RECEIVABLES Continued

The movement in the provision for allowance for credit losses is as follows:

	Note	31 December 2018	31 December 2017
Balance at the beginning of the year		60,000	–
Adjustment on initial application of IFRS 9	28	10,906	
Additions		–	60,000
Reversal during the year		(13,263)	–
Balance at the end of the year		57,643	60,000

10. PREPAYMENTS

	31 December 2018	31 December 2017	1 January 2017
Project Recoverable Costs	153,468	60,972	1,214,695
Advances, prepayments and deposits	5,499,455	2,480,244	1,547,286
Accrued VAT	119,569	–	–
	5,772,492	2,541,216	2,761,981

11. MURABAHA DEPOSITS

	31 December 2018	31 December 2017	1 January 2017
Murabaha Deposits	–	9,683,897	–

Murabaha deposits are placed with local commercial banks having maturity of more than three months. Murabaha deposits yield financial income at prevailing market rates.

12. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	1 January 2017
Cash in hand	2,141	2,486	2,425
Cash at bank on current account – local currency	3,218,699	2,412,002	6,710,876
Cash at bank on current accounts – foreign currency	25,194,270	25,220,478	19,372,072
Murabaha deposits	19,500,000	–	–
	47,915,110	27,634,966	26,085,373

12.1 During the year ended December 31, 2018, the Group incurred foreign exchange gain / loss amounting to SR 2.7 million (2016: SR 0.29 million) on account of translation of foreign currency denominated monetary assets into Group's functional currency, including cash at bank in foreign currency accounts.

12.2 In addition to the cash at bank disclosed above, the Group has certain bank accounts wherein client money is being held in the fiduciary capacity.

13. SHARE CAPITAL

As at December 31, the share capital of the Company amounting to SR 90,000,000 (2017: SR 90,000,000) is divided into 9,000,000 shares (2017: 9,000,000 shares) of SR 10 each (2017: SR 10 each) is as follows:

	31 December 2018	31 December 2017	1 January 2017	No. of Shares	Share Capital
Al-Murjan Arabian United Company Limited	91%	91%	91%	8,229,600	82,296,000
Sheikh Ahmed Salem Bugshan	6%	6%	6%	500,400	5,004,000
Sheikh Abdulrahman Khalid Bin Mahfouz	1%	1%	1%	90,000	900,000
Sheikh Sultan Khalid Bin Mahfouz	1%	1%	1%	90,000	900,000
Talid Arabia Trading	1%	1%	1%	90,000	900,000
	100%	100%	100%	9,000,000	90,000,000

14. STATUTORY RESERVES

In accordance with the Company's Articles of Association, the Company established a statutory reserve by the appropriation of 10% of net income until the reserve is equal 30% of the share capital. This reserve is not available for divided distribution.

15. EMPLOYEE BENEFITS

The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The amount recognized in the statement of financial position is determined as follows:

	31 December 2018	31 December 2017	1 January 2017
Present value of defined benefit obligation	**4,097,763**	3,361,432	2,629,074

An independent actuarial exercise has been conducted as at December 31, 2018, December 31, 2017 and January 1, 2017 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

Movement in net defined liability

The movement in the present value of the end-of-service benefits over the year is as follows:

	2018	2017
Balance at 1 January	**3,361,432**	2,629,074
Included in profit or loss		
Current service cost	**592,509**	479,452
Interest cost	**122,752**	117,822
Total	**715,261**	597,274
Included in other comprehensive income		
Actuarial loss arising from:		
- financial assumptions	**14,760**	(12,151)
- demographic assumptions	**70**	–
- experience adjustments	**257,919**	176,236
Total	**272,749**	164,085
Other		
Benefits paid	**(251,679)**	(29,001)
Balance at 31 December	**4,097,763**	3,361,432

The expense is recognized in the following line items in the statement of profit or loss and other comprehensive income:

	2018	2017
Salaries and Employee related costs	**715,261**	597,274

15. EMPLOYEE BENEFITS Continued

Actuarial assumptions

The main actuarial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows (expressed as weighted averages):

	31 December 2018	31 December 2017	1 January 2017
Financial assumptions			
Discount rate	4.30%	3.55%	4.30%
Future salary growth/ expected rate of salary increase	4.30%	3.55%	4.30%
Demographic assumptions			
Mortality	0.15%	0.15%	0.15%
Retirement age	60 years	60 years	60 years
Turnover (age wise)	Heavy	Heavy	Heavy

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

At the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2018		2017	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	–	(46)	–	(91)
Future salary growth (0.5% movement)	47	–	94	–
Employee turnover (Medium to High)	High	–	Medium	–

As at 31 December 2018, the weighted average duration of the defined benefit obligation is 7.68 years.

As at 31 December 2017, the weighted average duration of the defined benefit obligation is 7.96 years.

As at 1 January 2017, the weighted average duration of the defined benefit obligation is 7.96 years.

During the year ended 31 December 2018, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labor and Workmen Law by using the Projected Unit Credit Method as required under IAS 19.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

16. TRADE AND OTHER PAYABLES

	Note	31 December 2018	31 December 2017	1 January 2017
Due to related parties	22	15,648	8,004	1,977,921
Accounts Payable		129,455	9,190	2,149,657
Accrued staff cost		804,019	309,450	282,769
Accrued expenses		435,496	538,299	254,750
		1,384,618	864,943	4,665,097

17. ACCRUED EXPENSES

	31 December 2018	31 December 2017	1 January 2017
Payable to Tax Authorities	–	408,855	–
Deferred Income	14,452	88,231	63,363
Others	–	226,352	85,255
	14,452	723,438	148,618

18. ZAKAT AND INCOME TAX

18.1 At December 31, accrued Zakat and income tax comprise of the following:

	31 December 2018	31 December 2017	1 January 2017
Accrued zakat	5,087,652	5,387,283	3,848,639
Accrued income tax	39,339	12,417	–
Accrued zakat and income tax	5,126,991	5,399,700	3,848,639

18.2 Zakat and tax charge for the year comprise of the following:

	2018	2017
Zakat charge	1,527,465	2,505,161
Tax charge	47,622	12,417
Reversal	(646,055)	–
	929,032	2,517,578

18. ZAKAT AND INCOME TAX Continued

18.3 Zakat charge for the year ended December 31 has been calculated on Zakat base, the components of which are as follows:

	31 December 2018	31 December 2017	1 January 2017
Equity	93,294,245	98,426,212	88,837,514
Opening allowances and other adjustments	7,533,090	60,000	–
Book value of long-term assets	(61,318,647)	(6,900,007)	(16,841,607)
Zakat able profit / (loss) for the year	21,589,912	12,189,483	(878,281)
Zakat base higher of adjusted net loss or Zakat base	61,098,600	103,775,688	71,117,626

Some of the aforementioned amounts have been adjusted (consistent with Zakat rules) in arriving at the Zakat charge for the year.

18.4 Movement in accrued zakat and income tax during the year ended December 31, is as follows:

	2018	2017	2016
1 January	5,399,700	3,848,639	2,603,874
Reversal	(646,055)		
Charge for the year	1,575,087	2,517,578	2,163,465
Payments during the year	(1,201,741)	(966,517)	(918,700)
31 December	5,126,991	5,399,700	3,848,639

18.5 The Company has filed Zakat return up to and including the year 2017. Assessments have been finalised for the period form 2010 -2013, requiring an additional Zakat and tax payment of SR 4.4 million. The Company has appealed against the additional charge. As at the reporting date as per the advice of the Company's Zakat advisor, the management has recognised a prior year charge representing the Company's minimum exposure, The Company has also paid an amount of SR 0.8 million in relation to the above mentioned appeal.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	31 December 2018	31 December 2017
Office Rent, Utilities and Other expenses		1,205,923	1,708,877
Consultancy		6,367,836	3,200,387
Depreciation	5	739,896	716,641
Amortization	6	11,917	9,092
Insurance		173,837	181,410
Project cost written off		235,633	-
Travelling		541,090	529,302
Others		812,501	553,435
		10,088,633	6,899,144

20. FOREIGN CURRENCY (LOSS) / GAIN

During the year, Group has recognized the foreign currency gains / (losses) on cash and cash equivalents, available for sale investments and accounts receivables.

21. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share have been computed by dividing the profit for the year attributable to the owners of the parent Company by the number of shares outstanding during the year. As there are no diluted shares outstanding, basic and diluted earnings per share are identical.

The earnings per share calculation is given below:

	2018	2017
Profit for the year	17,681,226	9,671,905
Weighted average number of shares outstanding	9,000,000	9,000,000
Profit per share (Saudi Riyals) – Basic and Diluted	1.96	1.07

22. RELATED PARTY TRANSACTIONS

(a) The entire list of related parties have been provided below:

Name	Relationship
Al Murjan International Holding	Affiliate
Key Rent a Car Company	Affiliate
Al-Murjan Arabian United Company Limited	Shareholder
Talid Arabia Trading	Shareholder
Tawazun Al Enjaz	Affiliate
Sidra Capital UK Limited	Subsidiary

(b) Due from related parties as at 31 December are comprised of the following:

Name of entity	Amount of transaction 2018	Amount of transaction 2017	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
Al Murjan Arabian United Company Limited	494,886	1,637,759	–	802,149	–
Al-Murjan international Holding Company Limited and Group	712,662	2,574,836	27,092	138,775	–
Talid Arabia Trading	–	–	–	20,000	80,000
Tawazon Al-Enjaz	201,891	–	13,355	–	–
Key Rent Car	12,645	–	3,276	–	–
			43,723	960,924	80,000

(c) Due to related parties as at 31 December are comprised of the following:

Name of entity	Amount of transaction 2018	Amount of transaction 2017	As at 31 December 2018	As at 31 December 2017	As at 1 January 2017
Al Murjan Arabian United Company Limited	15,648	–	15,648	–	19,377
Key Rent a Car Company	–	29,617	–	8,004	3,724
Al-Murjan international Holding Company	–	–	–	–	1,954,820
			15,648	8,004	1,977,921

22. RELATED PARTY TRANSACTIONS Continued

(d) Transactions with key management personnel

(i) Key management personnel compensation comprised the following:

	2018	2017
Short term employee benefits	**3,537,899**	3,344,349
Post-employment benefits	**1,546,675**	1,345,625

Compensation to key management personnel includes salaries and contributions to post-employment defined benefit plan.

23. CONTINGENCIES AND COMMITMENTS

In addition to Zakat and tax contingency matters as disclosed in Note 18, the Company has the following contingencies and commitments as at December 31, 2018:

Contingencies

(a) As of 31 December 2018, there is only one legal case for SAR 5 million, pending against Sidra Capital at the commercial court in Jeddah, Saudi Arabia. The management believes that the Company is in strong position and their lawyer supports them.

Commitments

There are no commitments outstanding as at 31 December 2018.

24. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Group's activities expose it to certain financial risks. Such financial risk emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

The Group currently finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Group's risk management policies and objectives are as follows:

Market risk

This is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of currency risk, interest rate risk and other price risk.

24. FINANCIAL INSTRUMENT AND RISK MANAGEMENT Continued

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk is primarily represented by investments in GBP and USD. The Group seeks to manage its currency risk by means of appropriate financial instruments including the use of derivatives if required.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis. As at the reporting date, the Group is not exposed to any significant interest rate risk.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or the factors affecting similar financial instruments traded in the market. As at the reporting date, the Group is not exposed to any significant other price risk since the available for sale investments are carried at cost less provision for impairment (note 3(c)).

Credit risk
Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. As at the balance sheet date, the Group's maximum exposure to credit risk is represented by the respective carrying values of cash and cash equivalents and accounts and other receivables. Cash at banks are placed with reputable banks having sound credit rating while accounts and other receivables pertain to credit worthy counter parties.

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 result from the inability to sell a financial asset quickly at an amount close to its fair value. To guard against the risk, assets are managed with liquidity in perspective, maintaining a healthy balance of cash and cash equivalents. Moreover, the maturity profile of financial assets and liabilities is monitored on a regular basis to identify mismatches.

25. STANDARD ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Fund has not early adopted them in preparing these consolidated financial statements.

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises 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.

IFRS 16 replaces existing leases guidance including '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'. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Fund can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Fund currently plans to apply IFRS 16 initially on January 1, 2019. The Company has quantified the impact as under while using the Modified retrospective approach with optional practical expedients:

The extract from the statement of financial position:

	31 December 2018 (Restated)	1 January 2018 (Restated)
ROU Asset	1,319,136	1,183,707
Retained Earnings	(135,466)	(32,310)
Lease liability:		
Long term	518,932	753,777
Short term	587,630	397,620

25. STANDARD ISSUED BUT NOT YET EFFECTIVE Continued

Please note that the consolidated financial statements are presenting the previous year under SOCPA Standard and there was no lease liability and right of use asset under SOCPA Standard.

The extract from profit or loss:

	31 December 2018 (Restated)
Depreciation of ROU Asset	438,432
Retained Earnings	96,721

(ii) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifies how a Company accounts for increasing its interest in a joint operation that meets the definition of a business.

• If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

• If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

- IAS 12 Income Taxes – clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.

- IAS 23 Borrowing Costs – clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

Other Amendments

The following new or amended standards which are not yet effective and neither expected to have a significant impact on the Fund's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.
- 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)

26. FAIR VALUES

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. Differences can therefore arise between the book values under the historical cost method and fair value estimates.

As at the reporting date, the fair values of the Company's financial instruments are not materially different from their carrying values.

(a) Fair value information for financial instruments at fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Company's financial assets are compiled under the historical cost convention, except for financial assets held at fair value through profit and loss and fair value through other comprehensive income, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

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

	Carrying amount		Fair Value			
December 31, 2018	FVTPL	Amortised Cost	Level 1	Level 2	Level 3	Total
Financial assets						
Investments at Fair Value through profit or loss	53,323,411	-	-	-	53,323,411	53,323,411
Trade and other receivables	-	8,752,425	-	-	8,752,425	8,752,425
	53,323,411	8,752,425	-	-	62,075,836	62,075,836
Financial Liabilities						
Employee benefits	-	4,097,763	-	-	4,097,763	4,097,763
Zakat liabilities	-	5,126,991	-	-	5,126,991	5,126,991
Trade and other payables	-	1,384,618	-	-	1,384,618	1,384,618
	-	10,609,372	-	-	10,609,372	10,609,372

During the year ended December 31, 2018 there were no transfers between level 1 and level 2 fair value measurements.

26. FAIR VALUES Continued

(a) Fair value information for financial instruments at fair value Continued

Movement in fair value of Financial Assets under level 3 for the year ended is as follow:

	December 31, 2018	December 31, 2017
Balance as at 1 January	61,524,346	52,108,708
Net movement in fair value	(8,180,884)	–
Additions During the year	53,451,639	15,627,940
Disposals During the year	(44,719,265)	(6,194,302)
Balance as at 31 December	62,075,836	61,542,346

(b) Valuation technique and significant unobservable inputs for financial instruments at fair value

The Company uses various valuation techniques for determination of fair values for financial instruments classified under levels 2 and 3 of the fair value hierarchy. These techniques and the significant unobservable inputs used therein are analyzed below. The Company utilizes fund manager reports (and appropriate discounts or hair-cuts where required) for the determination of fair values of private equity funds and real estate funds. The fund manager deploys various techniques (such as discounted cash flow models and multiples method, etc.) for the valuation of underlying financial instruments classified under level 2 and 3 of the respective fund's fair value hierarchy. Significant unobservable inputs embedded in the models used by the fund manager include risk adjusted discount rates, marketability and liquidity discounts and control premiums.

27. FIRST-TIME ADOPTION OF IFRS

As stated in note 2, these are the Company's first IFRS consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2018 and in the preparation of an opening IFRS statement of financial position as at January 1, 2017 (the Company's date of transition).

(i) Effect of transition to IFRS

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in consolidated financial statements prepared in accordance with generally accepted accounting standards as issued by SOCPA (SOCPA GAAP). An explanation of how the transition from SOCPA GAAP to IFRS has affected the Company's financial position, for the respective years, is set out in the following tables and the notes that accompany the tables.

The following is a reconciliation of the Company's statement of financial position reported in accordance with SOCPA GAAP to its statement of financial position under IFRS as endorsed in KSA at 01 January 2017 (date of transition to IFRS):

27. FIRST-TIME ADOPTION OF IFRS Continued

Reconciliation of equity as at 31 December 2017

	Note	SOCPA	Effect of transition to IFRS 31 December 2017	IFRS
Assets				
Property and equipment	5	2,283,375	(20,725)	2,262,650
Investment Property	7	4,616,632	–	4,616,632
Intangible assets	6	–	20,725	20,725
Non-current assets		**6,900,007**	**–**	**6,900,007**
Investments at fair value through P&L	8	52,964,826	–	52,964,826
Trade and other receivables	9	9,050,813	–	9,050,813
Prepayments	10	2,541,216	–	2,541,216
Murabaha deposits	11	9,683,897	–	9,683,897
Cash and cash equivalents	12	27,634,966	–	27,634,966
Current assets		**101,875,718**	**–**	**101,875,718**
Total assets		**108,775,725**	**–**	**108,775,725**
Equity				
Share capital	13	90,000,000	–	90,000,000
Reserves	14	954,802	–	954,802
Retained earnings		7,865,318	(393,908)	7,471,410
Total equity		**98,820,120**	**(393,908)**	**98,426,212**
Liabilities				
Employee benefits	15	2,967,524	393,908	3,361,432
Non-current liabilities		**2,967,524**	**393,908**	**3,361,432**
Trade and other payables	16	864,943	–	864,943
Zakat provision	18	5,399,700	–	5,399,700
Other current liabilities	17	723,438	–	723,438
Current liabilities		**6,988,081**	**–**	**6,988,081**
Total liabilities		**9,955,605**	**393,908**	**10,349,513**
Total equity and liabilities		**108,775,725**	**–**	**108,775,725**

27. FIRST-TIME ADOPTION OF IFRS Continued

Reconciliation of equity as at 1 January 2017

	Note	SOCPA	Effect of transition to IFRS 1 January 2017	IFRS
Assets				
Property and equipment	5	**2,891,470**	**(29,817)**	2,861,653
Investment Property	7	**13,950,137**	**-**	13,950,137
Intangible assets	6	**-**	**29,817**	29,817
Non-current assets		**16,841,607**	**-**	**16,841,607**
Investment at fair value through P&L	8	39,812,952	-	39,812,952
Trade and other receivables	9	14,627,029	-	14,627,029
Prepayments	10	2,761,981	-	2,761,981
Cash and cash equivalents	12	26,085,373	-	26,085,373
Current assets		**83,287,335**	**-**	**83,287,335**
Total assets		**100,128,942**	**-**	**100,128,942**
Equity				
Share capital	13	90,000,000	-	90,000,000
Reserves	14	-	-	-
Retained earnings		(878,281)	(284,205)	(1,162,486)
Total equity		**89,121,719**	**(284,205)**	**88,837,514**
Liabilities				
Employee benefits	15	2,344,869	284,205	2,629,074
Non-current liabilities		**2,344,869**	**284,205**	**2,629,074**
Trade and other payables	16	4,665,097	-	4,665,097
Zakat provision	18	3,848,639	-	3,848,639
Other current liabilities	17	148,618	-	148,618
Current liabilities		**8,662,354**	**284,205**	**8,662,354**
Total liabilities		**11,007,223**	**284,205**	**11,291,428**
Total equity and liabilities		**100,128,942**	**-**	**100,128,942**

27. FIRST-TIME ADOPTION OF IFRS Continued

The following is a reconciliation of the Company's statement of income reported in accordance with SOCPA GAAP to its statement of profit or loss and other comprehensive income under IFRS as endorsed in KSA for the year ended December 31, 2017:

	Note	SOCPA	Effect of transition to IFRS 31 December 2017	IFRS
Revenue				
Management services		29,520,301	–	29,520,301
Arrangement and Advisory services		800,097	–	800,097
Operational Investment		2,815,924	–	2,815,924
Total Revenue		33,136,322	–	33,136,322
Operating Expenses:				
Salaries and employees related expenses		(14,923,915)	54,382	(14,869,533)
General and administrative expenses	19	(6,959,144)	–	(6,959,144)
Marketing expenses		(1,044,200)	–	(1,044,200)
Reversal / (Loss) of impairment on Investments Property		416,632	–	416,632
Total Operating Expenses		(22,510,627)	54,382	(22,456,245)
Net Operating Income		**10,625,695**	**54,382**	**10,680,077**
Other income		714,004	–	714,004
Foreign currency gain		795,402	–	795,402
Profit before Zakat and income-tax		**12,135,101**	**54,382**	**12,189,483**
Zakat	18	(2,517,578)	–	(2,517,578)
Profit for the period		**9,617,523**	**54,382**	**9,671,905**
Other comprehensive income				
Items that will never be classified to profit or loss				
Re-measurements of defined benefit liability (asset)	15	–	(164,085)	(164,085)
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations - foreign currency translation reserve		–	80,878	80,878
Other comprehensive income for the period		**–**	**(83,207)**	**(83,207)**
Total comprehensive income for the period		**9,617,523**	**(28,825)**	**9,588,698**

27. FIRST-TIME ADOPTION OF IFRS Continued

Notes to the reconciliations

27.1 Employee benefits

The Company provides end of service benefits to its employees which is to be accounted as a defined benefit plan under IFRS. IAS 19 Employee Benefits states that the Company should account for the liability on Defined Benefit Plans on actuarial valuation basis. Change in liability is split into changes arising out of service cost, interest cost and remeasurements and the change in asset is split between interest income and remeasurements. Changes due to service cost and net interest cost / income is recognized in the statement of comprehensive income and the changes arising out of remeasurements are to be recognized directly in other comprehensive income. On the date of transition, , the Company accounted for its defined benefit obligation computed based on actuarial valuation with resultant adjustment being recognized in the opening IFRS balance sheet as part of retained earnings. The difference is recorded in Retained earnings as at 1 January 2017 SR 284,205.

27.2 Re-classification of computer software from property and equipment to intangible assets

The Company has reclassified certain items of computer software classified as property and equipment to intangible assets. The effect was decrease of SR 54,799 from property and equipment and a corresponding increase to intangible asset on the date of transition. For the comparative period, there has been depreciation decrease of SR 9,092 to property and equipment and a corresponding increase to intangible assets. Further, there has been no impact on profit as the useful life has remained unchanged.

28. ADJUSTMENTS ON INITIAL APPLICATION OF IFRS 9

The Company's adoption of IFRS 9, resulted in the following changes to components of equity as at January 1, 2018:

Recognition of fair value loss on investment at FVTPL in retained earnings	4,767,434
Recognition of ECL loss in retained earning	10,906
Impact on retained earnings as at January 1, 2018	**4,778,340**

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are 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 December 31, 2013, new 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 authorized 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.

29. CAPITAL MANAGEMENT Continued

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business. The Capital Management of the company is as follows:

	31 December 2018	31 December 2017	1 January 2017
Description:			
Capital Base:			
Tier I capital	110,906	98,820	89,122
Total	110,906	98,820	89,122
Minimum capital requirement:			
Credit Risks	37,370	38,395	43,505
Market Risks	6,212	5,985	6,541
Operational risks	7,816	5,628	6,002
Total	51,398	50,008	56,048
Total Capital Ratio	2.16	1.98	1.59
Surplus in Capital	59,508	48,812	33,074

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 17 Rajab 1440H, corresponding to 24 March 2019.

سدرة المالية
Sidra Capital

Jeddah
Suite 308, Level 3
Al Murjanah Tower
Prince Sultan Street
PO Box 118528
21312 Jeddah
Kingdom of Saudi Arabia
Tel: +966 12 602 9988

Riyadh
Office 11, First Floor, Building (B)
Al Nemer Al Nakheel Center
5262 Al Imam Saud Ibn Abdul Aziz Road
An Nakheel
Riyadh 12381
Kingdom of Saudi Arabia
Tel: +966 11 455 5711

London
48 Charles Street Mayfair
London W1J 5EN
United Kingdom
Tel: +44 203 026 2840

www.sidracap.com