RSM Allied Accountants
Dr. Abdulqadir Bannaga & Partners Co.

Mulkia Investment Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

RSM

RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

Al Oruba Road
1st Floor Building Number 3193
VAT Number 300103434300003
P.O Box Riyadh 12333 - 8335 K.S.A
Tel: +966 11 416 9361
Fax: +966 11 416 9349
Kingdom of Saudi Arabia
www.rsmksa.com

AUDITORS' REPORT

To the Shareholders
Mulkia Investment Company
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of Mulkia Investment Company "A Saudi Closed Joint Stock Company" ("The Company"), which comprises of the Statement of financial position as at December 31, 2018, and the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the notes to the financial statements and summary of the significant accounting policies.

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

Basis of our opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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 of our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Commercial Registration NO. 4030228773
License NO. 323 / 11 / 169
ICC : 120082

As a part of an audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk is not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosers made by management.
- Conclude on the appropriateness of the 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 company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosers in the financial statements or, if such dis closers are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events are conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentations, structure and the content of the financial statements, including the disclosers, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

Report on Legal and Regulatory Requirements

Article (135) of the Companies Law requires the auditor to include in his report a reference as to whether any violation of the provisions of the Companies Law or the Articles of Association of the Company has come to his attention. During the course of our audit of the financial statements, nothing came to our attention that indicate that the company is not in compliance with the provisions of the Companies Law or the Articles of Association of the Company.

RSM Allied Accountants
Dr. Abdelgadir Bannaga and Partners Company

Mohammed Al Nader
License No. 435
19 Rajab 1440 H (March 26, 2019)
Riyadh, Saudi Arabia

Mulkia Investment Company
(Saudi Closed Joint Stock Company)
Balance Sheet
As at December 31, 2018

	Note	31 December 2018 SR	(Adjusted – Note 6) 31 December 2017 SR	(Adjusted – Note 6) 1 January 2017 SR
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment, net	7	**2,035,003**	2,639,940	3,344,994
Intangible assets, net	8	**153,548**	161,104	241,093
Advances to purchase intangible assets	9	**150,000**	101,257	55,617
Investments as at fair value through othe comprehensive income	10	**8,434,290**	14,945,920	16,740,162
TOTAL NON-CURRENT ASSETS		**10,772,841**	17,848,221	20,381,866
CURRENT ASSETS				
Due from related parties	12	**9,448,896**	3,704,539	2,349,251
Prepayments and other receivables	13	**804,522**	1,426,625	929,800
Investment as at fair value through profit and loss	11	**33,984,906**	30,051,148	33,609,624
Cash in banks		**3,686,299**	5,415,466	2,281,849
TOTAL CURRENT ASSETS		**47,924,623**	40,597,778	39,170,524
TOTAL ASSETS		**58,697,464**	58,445,999	59,552,390
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDER'S EQUITY				
Share capital	16	**75,000,000**	75,000,000	75,000,000
Accumulated losses		**(18,751,085)**	(21,969,581)	(19,931,600)
Revaluation of investments through othe comprehensive income	10	**(276,700)**	2,345,920	1,140,162
TOTAL SHAREHOLDER'S EQUITY		**55,972,215**	55,376,339	56,208,562
NON-CURRENT LIABILITIES				
Employees' benefits obligation plan	18	**497,545**	446,773	475,822
TOTAL NON-CURRENT LIABILITIES		**497,545**	446,773	475,822
CURRENT LIABILITIES				
Accrued expenses and other payables	14	**1,937,627**	2,423,827	2,720,505
Zakat provision	15	**290,077**	199,060	147,501
TOTAL CURRENT LIABILITIES		**2,227,704**	2,622,887	2,868,006
TOTAL LIABILITIES		**2,725,249**	3,069,660	3,343,828
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**58,697,464**	58,445,999	59,552,390

The attached notes (1) to (30) form an integral part of these financial statements.

Mulkia Investment Company
(Saudi Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
For the year ended December 31, 2018

	Note	*2018* *SR*	*(Adjusted – Note 6)* *2017* *SR*
Revenue	19	**18,071,583**	14,918,621
Realized (losses) gains on sale of investments through profit or loss		**(304,528)**	296,366
Unrealized losses on investments through profit or loss	11	**(1,461,717)**	(2,399,173)
TOTAL REVENUE		**16,305,338**	12,815,814
Cost of revenue	20	**(5,651,062)**	(3,942,852)
GROSS PROFIT		**10,654,276**	8,872,962
General and administrative expenses	21	**(7,654,175)**	(9,170,132)
Marketing expenses	22	**(295,923)**	(1,705,777)
NET INCOME (LOSS) FROM MAIN OPERATIONS		**2,704,178**	(2,002,947)
Other income		**1,689**	3,525
NET INCOME (LOSS) FOR THE YEAR BEFORE ZAKAT		**2,705,867**	(1,999,422)
Zakat	15	**(290,077)**	(182,371)
NET INCOME (LOSS) FOR THE YEAR		**2,415,790**	(2,181,793)
EARNINGS PER SHARE	24		
EPS and diluted EPS from main operations		**0.23**	(0.27)
EPS and diluted EPS from net income for the year		**0.32**	(0.29)
OTHER COMPREHENSIVE INCOME			
Items that not reclassified subsequently to Statement of profit or loss			
Realized gains from sale of investments at fair value througl other comprehensive income		**820,226**	143,812
Movement in fair value of investments through other comprehensive income		**(2,622,620)**	1,205,758
Remeasurement losses from employees' benefits obligation plan		**(17,520)**	-
Other comprehensive (loss) income for the year		**(1,819,914)**	1,349,570
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**595,876**	(832,223)

The attached notes (1) to (30) form an integral part of these financial statements.

	Capital SR	Accumulated losses SR	Revaluation of investments through other comprehensive income SR	Total SR
Balance at January 1, 2017 as previously presented	75,000,000	(18,791,438)	-	56,208,562
Effect of IFRSs adoption	-	(1,140,162)	1,140,162	-
Balance at January 1, 2017 (Adjusted)	75,000,000	(19,931,600)	1,140,162	56,208,562
Net loss for the year (Adjusted)	-	(2,181,793)	-	(2,181,793)
Other comprehensive income	-	143,812	1,205,758	1,349,570
Balance at December 31, 2017	75,000,000	(21,969,581)	2,345,920	55,376,339
Net income for the year	-	**2,415,790**	-	**2,415,790**
Other comprehensive income	-	**802,706**	**(2,622,620)**	**(1,819,914)**
Balance at December 31, 2018	**75,000,000**	**(18,751,085)**	**(276,700)**	**55,972,215**

The attached notes (1) to (30) form an integral part of these financial statements.

	2018 SR	(Adjusted – Note 6) 2017 SR
OPERATING ACTIVITIES		
Net income (loss) before zakat	**2,705,867**	(1,999,422)
Adjustments to reconcile net income (loss) with net cash (used in) from operating activities:		
Depreciation	**681,311**	710,544
Amortization	**108,813**	87,848
Unrealized losses on investments at fair value through profit and loss	**1,461,717**	2,399,173
Employees' benefits obligation plan formed	**224,868**	124,312
Operating cash flows before working capital changes	**5,182,576**	1,322,455
Investments at fair value through other comprehensive income	**4,709,236**	3,143,812
Investments at fair value through profit or loss	**(5,395,475)**	1,159,303
Due from related parties	**(5,744,357)**	(1,355,288)
Prepayments and other receivables	**622,103**	(496,825)
Accrued expenses and other payables	**(486,200)**	(296,678)
Employees' benefits obligation plan paid	**(191,616)**	(153,361)
Zakat paid	**(199,060)**	(130,812)
Net cash (used in) from operating activities	**(1,502,793)**	3,192,606
INVESTING ACTIVITY		
Purchase of property and equipment	**(76,374)**	(5,490)
Purchase of intangible assets	**-**	(7,859)
Advances to purchase intangible assets	**(150,000)**	(45,640)
Net cash used in investing activity	**(226,374)**	(58,989)
NET CHANGES IN CASH IN BANKS	(1,729,167)	3,133,617
Cash in banks at the beginning of the year	**5,415,466**	2,281,849
CASH IN BANKS AT THE END OF THE YEAR	**3,686,299**	5,415,466
Non-cash transactions		
Transferred from advances to purchase intangible assets to intangible assets	**101,257**	-
Movement in fair value of investments through other comprehensive income	**(2,622,620)**	1,205,758

The attached notes (1) to (30) form an integral part of these financial statements.

1. ACTIVITIES

Mulkia Investment Company (the "Company") is a Saudi Closed Joint Stock Company registered with Capital Market Authority ("CMA") under license number 13170-37 dated 10 Muharam 1435H (corresponding to 13 November 2013).

The Company operates in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010407245 dated 9 Jumada Al- Awal 1435H (corresponding to 10 March 2014). The Company is incorporated by the ministerial resolution number 101/Q dated 2 Jumada Al-Awal 1435H (corresponding to 3 March 2014).

The Company's Head Office is located at Prince Mohamed Bin Abdelaziz Road Olya District, P.O. Box 52775, Riyadh 11573, Kingdom of Saudi Arabia.

The principal activities of the Company are dealing as principal, underwriting, managing investment funds and client portfolio, arranging, providing advisory and safekeeping services relating to financial papers.

2. ACCOUNTING STANDARDS ADOPTED

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

3. ADOPTING NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements are the first financial statements prepared in accordance with International Financial Reporting Standards and falls under the first annual financial statements as per Section (1) "IFRS adoption for the first time" as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

For the periods including the year ended 31 December 2017, the Company has prepared its financial statements in accordance with the accounting standards as endorsed in Saudi Arabia and issued by the Saudi Organization for Certified Public Accountants.

The Company prepared its financial statements to comply with International financial Reporting Standards as at 31 December 2018 along with the comparative financial position as at 31 December 2017 and financial position as at 1 January 2017 (Note 6).

4. New standards, amendments and standards issued and not yet effective

IFRS 16 Leases (Effective from 1/1/2019)

This Standard is effective for annual periods beginning on or after 1 January 2019 where early application is permitted. The Company has adopted this standard and it did not result in financial impact on the Company's financial statements.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The application of this standard in subsequent periods is not expected to have a material financial effect on the Company's financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below are significant accounting policies adopted by the Company:

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement of investments at fair value, accrual basis, and going concern assumption.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgments

The preparation of financial statements according to IFRSs applied in Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. These estimates and assumptions are reviewed on a continual basis and effects resulting from these accounting changes will be disclosed in the year and future period which are affected by it.

Fair Value

The fair values of quoted investment securities and other quoted financial assets carried at fair value are based on current bid prices. For unlisted securities and certain listed securities where the market is not active and other unquoted financial assets carried at fair value, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transaction, reference to other instruments that are substantially the same, discounted cash flows analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

First level: market prices which stated in active markets for the same financial instruments.

Second level: Valuation techniques are based on inputs that effect on fair value and can be observable directly or indirectly in the market.

Third level: Valuation techniques are based on inputs that effect on fair value and cannot be observable directly or indirectly in the market.

Financial instruments

Financial assets and financial liabilities are recognized when a Company entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated at FVTPL by the Company.

A financial asset is classified as held for trading if:

- It has been acquired principally for selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Dividends or interest earned on the financial asset are included in the 'other income / charges' line item in the statement of profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B) Financial assets at fair value through other comprehensive income

The Listed shares which owned by the company and traded in an active market are classified as available-for-sale financial assets and are stated at fair value. The Company also has investments in unlisted shares that are not traded in active markets but are also classified as available-for-sale financial assets and are carried at fair value, in the belief that the fair value can be reliably measured. Gains and losses arising from changes in fair value are included in other comprehensive income and are added to the revaluation reserve under equity except for impairment losses that are recognized in profit or loss. If the investment is disposed of or is impaired, the cumulative gain or loss previously recognized in the revaluation reserve is included in other comprehensive income.
Any income from dividends related to the investments available of sale are recorded when the company have the rights to receive those dividends.

C) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in profit or loss.
Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are initially and subsequently measured at amortized cost using the effective interest method.
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts, demand deposits and time deposits with maturities of three months or less from acquisition date.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value, if any. Expenditure for repair and maintenance are charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on straight-line basis over the shorter of the useful life of the improvements or the term of the lease which is lower.
Annual depreciation rates of major items in these assets are as follows:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Description	Annual Depreciation rate
Leasehold buildings improvements	12.5%
Furniture and fixtures	10%
Office equipment	12.5%
Computers	20%
Motor vehicles	20%

Investments at fair value through profit or loss

Investments at fair value through profit or loss Investments and unrealized gains and losses on revaluation of gains and losses on disposal of investments are recognized in the statement of profit or loss.
Value is determined on the basis of value in case of market for securities trading. In the case of the sale of part of the acquired investment.

Intangible assets

Intangible assets purchased are recognized at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over its useful life estimated to be five years using the straight-line method. When there is an indication of a major change in the useful life or residual value of the intangible asset, the amortization is adjusted subsequently to reflect the new expectations.

Impairment of financial assets

At each reporting date, financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.
When there is an indication of potential impairment loss, net realizable value is estimated of the related asset (or group of related assets) and compared with book value. If the estimated net realizable value is found to be less, the book value is reduced to the net realizable value, and the impairment loss is recognized immediately in the statement of profit or loss.
Non-current financial assets other than financial assets that suffered from impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss.

Valuation of investments

The Company invests in a variety of instruments including listed equities and open ended and other mutual funds including real estate funds.
Valuation of listed equities are based on market prices while open ended mutual funds is based on net asset value of the funds which are being published regularly on the stock exchange. In case of real estate funds, the investment is valued based on net asset value of the fund adjusted for the valuations of underlying real estate assets. Investment in subsidiaries is usually based on valuation of ultimate investee company if the subsidiary is established solely for the purpose of making such investment. In case of other unlisted investments, management uses a variety of techniques including market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and income approach (i.e. discounted cash flow analysis, comparable company multiples and option pricing models making as much use of available and supportable market data as possible). Currently, such investment comprises of some dormant subsidiaries which are being valued at their net asset values. The above requires use of significant estimation and assumptions by the management.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets of the Company and accordingly are not included in these financial statements. Such assets are recognized as off-balance sheet items and disclosed in the accompanying notes to the financial statements as such. These fees earned by the Company from managing those assets are included in the statement of income.

Assets under management

The Company offers asset management services. Such assets are not treated as assets of the Company and accordingly are not included in the financial statements.

Clients' cash accounts

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

Employees defined benefit plan

- End-of-service indemnities

The end of service benefits provision, which is a defined benefit plan, is determined using the projected unit credit method, with actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss.

- Retirement benefits

The Company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- Short-term employee's benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employees' benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Accounts payable and accruals

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

Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

Revenue recognition

Fixed fees received under financial services agreements are usually non-refundable. These are initially recorded as unearned income and subsequently earned when the related milestone has been met or the agreement is terminated by the client. Management and custody fees are recognized on an accrual basis. Dividend income is recognized when the Company's right to receive the dividend is established. Subscription fee is recognized upfront when customer subscribes to the Fund managed by MIC. Performance fee is recognized on an accrual basis when the underlying performance targets are achieved.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting
Financial assets and financial liabilities are offset and reported net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under accounting standards generally accepted in the Kingdom of Saudi Arabia, or for gains and losses arising from a Company of similar transactions.

Expenses
All direct expenses related to revenue from operations including salaries and wages and indirect inventory costs are recognized in cost of revenue, while selling and marketing expenses includes salesmen salaries and any other expenses related selling and marketing in favor of the Company. Other expenses are classified as general and administrative expenses. Common expenses are allocated between cost of revenue and general and administrative expenses on consistent basis.

Zakat
Zakat is provided for in the financial statements in accordance with Saudi Department of Zakat and Income Tax ("DZIT") regulations in Saudi Arabia. Additional zakat liabilities, if any, related to prior years, assessments arising from DZIT are accounted for in the period in which the final assessment are finalized.

Foreign currency transaction

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

Other income
Other income is recorded when earned.

Operating segments
A segment is a distinguishable component of the company that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on Company's management and internal reporting structures.

6. ADOPTION OF NEW AND REVISED IFRSS

6-1 FIRST TIME ADOPTION OF IFRSs

As stated in note (3), these financial statements for the year ended 31 December 2018 are prepared in accordance with IFRS. For the periods till and including the year ended 31 December 2017, the company prepared its financial statements in accordance with the accounting standards promulgated by SOCPA.

Accordingly, the Company has prepared the financial statements that comply with IFRS as at 31 December 2018, with the comparative statements of financial position as at 1 January 2017 and financial position at 31 December 2017. The notes from (6-2) to (6-7) set out an explanation of how the transition to IFRS has affected the previously reported statement of financial position as at January 1, 2017 and December 31, 2017.

6-2 EFFECT IFRS ADOPTION ON THE STATEMENT OF FINACIAL POSITION AS AT 31 DECEMBER 2017

	As per SOCPA standards 31 Dec 2017 SR	Effect of IFRS Adoption SR	As per IFRS 31 Dec 2017 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	2,801,044	(161,104)	2,639,940
Intangible assets, net	-	161,104	161,104
Advances to purchase intangible assets	101,257	-	101,257
Investments in Funds	41,883,906	(41,883,906)	-
Investments as at fair value through other comprehensive income	-	14,945,920	14,945,920
TOTAL NON-CURRENT ASSETS	44,786,207	(26,937,986)	17,848,221
CURRENT ASSETS			
Due from related parties	3,704,539	-	3,704,539
Prepayments and other receivables	1,426,625	-	1,426,625
Investment as at fair value through profit and loss	3,113,162	26,937,986	30,051,148
Cash in banks	5,415,466	-	5,415,466
TOTAL CURRENT ASSETS	13,659,792	26,937,986	40,597,778
TOTAL ASSETS	58,445,999	-	58,445,999
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	75,000,000	-	75,000,000
Accumulated losses	(19,623,661)	(2,345,920)	(21,969,581)
Revaluation of investments through other comprehensive income	-	2,345,920	2,345,920
TOTAL SHAREHOLDERS' EQUITY	55,376,339	-	55,376,339
LIABILITIES			
NON-CURRENT LIABILITIES			
Employees' benefits obligation plan	446,773	-	446,773
TOTAL NON-CURRENT LIABILITIES	446,773	-	446,773
CURRENT LIABILITIES			
Accrued expenses and other payables	2,423,827	-	2,423,827
Zakat provision	199,060	-	199,060
TOTAL CURRENT LIABILITIES	2,622,887	-	2,622,887
TOTAL LIABILITIES	3,069,660	-	3,069,660
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	58,445,999	-	58,445,999

6-3 EFFECT OF IFRS ADOPTION ON STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS AT 31 DECEMBER 2017:

	As per SOCPA December 31, 2017 SR	Effect of IFRS Adoption SR	As per IFRS 31 December 2017 SR
Revenue	14,918,621	-	14,918,621
Realized gains on sale of investments through profit or loss	296,366	-	296,366
Unrealized losses on investments through profit or loss	(1,049,603)	(1,349,570)	(2,399,173)
TOTAL REVENUE	14,165,384	(1,349,570)	12,815,814
Cost of revenue	-	(3,942,852)	(3,942,852)
GROSS PROFIT	14,165,384	(5,292,422)	8,872,962
General and administrative expenses	(14,223,043)	5,052,911	(9,170,132)
Marketing expenses	(595,718)	(1,110,059)	(1,705,777)
NET LOSS FROM MAIN OPERATION	(653,377)	(1,349,570)	(2,002,947)
Other income	3,525	-	3,525
NET LOSS BEFORE ZAKAT	(649,852)	(1,349,570)	(1,999,422)
Zakat	(182,371)	-	(182,371)
NET LOSS FOR THE YEAR	(832,223)	(1,349,570)	(2,181,793)
OTHER COMPREHENSIVE INCOME			
Items that will not be re-classified subsequently to statement of profit or loss			
Realized gains from sale of investments at fair value through other comprehensive income	-	143,812	143,812
Movement in fair value of investments through other comprehensive income	-	1,205,758	1,205,758
Other comprehensive income for the year	-	1,349,570	1,349,570
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(832,223)	-	(832,223)

6-4 EFFECT OF IFRS ADOPTION ON THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2017:

	Capital SAR	Accumulated losses SAR	Revaluation of investments through other comprehensive income SAR	Total SAR
Balance at 31 December 2017 as previously disclosed	75,000,000	(19,623,661)	-	55,376,339
Effect of IFRS Adoption	-	(2,345,920)	2,345,920	-
Balance 31 December 2017 (Restated)	75,000,000	(21,969,581)	2,345,920	55,376,339

6-5 EFFECT OF IFRS ADOPTION ON THE STATEMENT OF FINACIAL POSITION AS AT 1 JANUARY 2017:

	As per SOCPA standards 1 Jan 2017 SR	Effect of IFRS Adoption SR	As per IFRS 1 Jan 2017 SR
ASSETS			
NON-CURRENT ASSETS			
Property and equipment, net	3,586,087	(241,093)	3,344,994
Intangible assets, net	-	241,093	241,093
Advances to purchase intangible assets	55,617	-	55,617
Investments in Funds	42,639,882	(42,639,882)	-
Investments as at fair value through other comprehensive income	-	16,740,162	16,740,162
TOTAL NON-CURRENT ASSETS	46,281,586	(25,899,720)	20,381,866
CURRENT ASSETS			
Due from related parties	2,349,251	-	2,349,251
Prepayments and other receivables	929,800	-	929,800
Investments as at fair value through profit and loss	7,709,904	25,899,720	33,609,624
Cash in banks	2,281,849	-	2,281,849
TOTAL CURRENT ASSETS	13,270,804	25,899,720	39,170,524
TOTAL ASSETS	59,552,390	-	59,552,390
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Capital	75,000,000	-	75,000,000
Accumulated losses	(18,791,438)	(1,140,162)	(19,931,600)
Revaluation of investments through other comprehensive income	-	1,140,162	1,140,162
TOTAL SHAREHOLDERS' EQUITY	56,208,562	-	56,208,562
LIABILITIES			
NON-CURRENT LIABILITIES			
Employees' benefits obligation plan	475,822	-	475,822
TOTAL NON-CURRENT LIABILITIES	475,822	-	475,822
CURRENT LIABILITIES			
Accrued expenses and other payables	2,720,505	-	2,720,505
Zakat provision	147,501	-	147,501
TOTAL CURRENT LIABILITIES	2,868,006	-	2,868,006
TOTAL LIABILITIES	3,343,828	-	3,343,828
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	59,552,390	-	59,552,390

6-6 EFFECT OF IFRS ADOPTION ON THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 1 JANUARY 2017:

	Capital SAR	Accumulated losses SAR	Revaluation of investments through other comprehensive income SAR	Total SAR
Balance at 1 January 2017 as previously disclosed	75,000,000	(18,791,438)	-	56,208,562
Effect of IFRS Adoption	-	(1,140,162)	1,140,162	-
Balance 1 January 2017 (Restated)	75,000,000	(19,931,600)	1,140,162	56,208,562

6-7 Notes for the effect of transition to IFRS

First: Adjustment made on the financial statements as at January 1, 2017:

- The Company's investment in Mulkia Saudi Equity Fund with an amount of SR 13,945,948 and Mulkia IPO Fund with an amount of SR 11,953,772 were reclassified from Investment in Funds to Investments as at fair value through profit or loss as per the Company's business model related to these investments in accordance with the requirements of IAS (9) – Financial Instruments.

- The Company's investment in Mulkia Plaza Development Fund with an amount of SR 11,122,648 and Mulkia Income Generating Fund with an amount of SR 3,143,812 and Mulkia Private Equities Fund- Education Sector with an amount of SR 2,473,702 as at 1 January 2017, were reclassified from Investment in Funds to Investments as at fair value through other comprehensive income as per the Company's business model related to these investments in accordance with the requirements of IAS (9) – Financial Instruments.

- Unrealized income from investments at fair value through comprehensive income with an amount of SR 1,140,162 as at 1 January 2017 was reclassified from accumulated losses to revaluation of investments through other comprehensive income reserve in accordance with the requirements of IAS (9) – Financial Instruments.

- An amount of SR 241,093 was reclassified from property and equipment to intangible assets in accordance with the requirements of IAS (38) – Intangible Assets.

Second: Adjustment made on the financial statements as at December 31, 2017:

- The Company's investment in Mulkia Saudi Equity Fund with an amount of SR 9,155,649 and Mulkia IPO Fund with an amount of SR 3,922,337 and Mulkia Gulf Real Estate REIT with an amount of SR 13,860,000 as at 31 December 2017, were reclassified from Investment in Funds to Investments as at fair value through profit or loss as per the Company's business model related to these investments in accordance with the requirements of IAS (9) – Financial Instruments.

- The Company's investment in Mulkia Plaza Development Fund with an amount of SR 12,617,239 and Mulkia Private Equities Fund- Education Sector with an amount of SR 2,328,681 as at 31 December 2017, were reclassified from Investment in Funds to Investments as at fair value through other comprehensive income as per the Company's business model related to these investments in accordance with the requirements of IAS (9) – Financial Instruments.

- An amount of SR 5,052,911 was reclassified from general and administrative expenses to cost of revenue and marketing expenses with the statement of profit or loss for the year ended 31 December 2017 in accordance with the requirements of IAS (1) – Financial Statements Presentation.

- Unrealized income from investments at fair value through comprehensive income with an amount of SR 2,345,920 as at 31 December 2017 was reclassified from accumulated losses to revaluation of investments through other comprehensive income reserve in accordance with the requirements of IAS (9) – Financial Instruments.

- An amount of SR 161,104 was reclassified from property and equipment to intangible assets in accordance with the requirements of IAS (38) – Intangible Assets.

7. PROPERTY AND EQUIPMENT, NET

	Leasehold buildings improvements SR	Furniture and fixtures SR	Office equipment SR	Computers SR	Motor vehicles SR	Total SR
Cost						
1 January 2018 (Adjusted)	2,743,438	438,671	131,947	1,450,015	94,100	4,858,171
Additions	70,438	-	1,427	4,509	-	76,374
31 December 2018	2,813,876	438,671	133,374	1,454,524	94,100	4,934,545
Accumulated Depreciation						
1 January 2018 (Adjusted)	1,004,108	157,003	56,999	938,675	61,446	2,218,231
Depreciation for the year	432,930	43,830	16,320	259,403	18,828	681,311
31 December 2018	1,347,038	200,833	73,319	1,198,078	80,274	2,899,542
Net book value						
December 31, 2018	1,466,838	237,838	60,055	256,446	13,826	2,035,003

	Leasehold buildings improvements SR	Furniture and fixtures SR	Office equipment SR	Computers SR	Motor vehicles SR	Total SR
Cost						
1 January 2017 (Adjusted)	2,743,438	433,181	131,947	1,450,015	94,100	4,852,681
Additions	-	5,490	-	-	-	5,490
31 December 2017	2,743,438	438,671	131,947	1,450,015	94,100	4,858,171
Accumulated Depreciation						
1 January 2017 (Adjusted)	661,184	113,719	40,799	649,367	42,618	1,507,687
Depreciation for the year	342,924	43,284	16,200	289,308	18,828	710,544
31 December 2017	1,004,108	157,003	56,999	938,675	61,446	2,218,231
Net book value						
December 31, 2017	1,739,330	281,668	74,948	511,340	32,654	2,639,940
January 1, 2017	2,082,254	319,462	91,148	800,648	51,482	3,344,994

8. INTANGIBLE ASSETS, NET

Intangible assets are software and software licenses. The movement of intangible assets is as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cost			
Balance at beginning of the year	**461,979**	454,120	407,028
Additions	**-**	7,859	47,092
Transferred from prepayments to purchase intangible assets (Note 9)	**101,257**	-	-
Balance at end of the year	**563,236**	461,979	454,120
Amortization			
Balance at beginning of the year	**300,875**	213,027	135,121
Charged on the year	**108,813**	87,848	77,906
Balance at end of the year	**409,688**	300,875	213,027
Net book value	**153,548**	161,104	241,093

9. ADVANCES TO PURCHASE INTANGIBLE ASSETS

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cost			
Balance at beginning of the year	**101,257**	55,617	-
Additions	**150,000**	45,640	55,617
Transferred to intangible assets (Note 8)	**(101,257)**	-	-
Balance at end of the year	**150,000**	101,257	55,617

10. INVESTMENTS AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These investments represent in the following:

	As at 31 December 2018				
	Beginning balance SR	**Additions during the year SR**	**Disposals during the year SR**	**Unrealized gain (loss) SR**	**Ending balance SR**
Mulkia Plaza Development Fund	10,100,000	-	**(3,889,010)**	**54,423**	**6,265,413**
Mulkia Private Equities Fund-Education Sector	2,500,000	-	-	**(331,123)**	**2,168,877**
Hemma for Entertainment Opportunities Fund	-	**1,032,763**	**(1,032,763)**	-	-
Total Investments	12,600,000	**1,032,763**	**(4,921,773)**	**(276,700)**	**8,434,290**

10. INVESTMENTS AS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

	As at 31 December 2017				
	Beginning balance SR	Additions during the year SR	Disposals during the year SR	Unrealized gain (loss) SR	Ending balance SR
Mulkia Plaza Development Fund	10,100,000	-	-	2,517,239	12,617,239
Mulkia Private Equities Fund-Education Sector	2,500,000	-	-	(171,319)	2,328,681
Mulkia Income Generating Fund	3,000,000	-	(3,000,000)	-	-
Total Investments	15,600,000	-	(3,000,000)	2,345,920	14,945,920

	As at 1 January 2017				
	Beginning balance SR	Additions during the year SR	Disposals during the year SR	Unrealized gain (loss) SR	Ending balance SR
Mulkia Plaza Development Fund	10,100,000	-	-	1,022,648	11,122,648
Mulkia Private Equities Fund-Education Sector	-	2,500,000	-	(26,298)	2,473,702
Mulkia Income Generating Fund	-	3,000,000	-	143,812	3,143,812
Total Investments	10,100,000	5,500,000	-	1,140,162	16,740,162

11. INVESTMENTS AS AT FAIR VALUE THROUGH PROFIT OR LOSS

These investments represent in the following:

	As at 31 December 2018				
	Beginning balance SR	Additions during the year SR	Disposals during the year SR	Unrealized gain (loss) SR	Ending balance SR
First: Funds managed by the Company					
Mulkia Saudi Equity Fund	9,155,649	3,615,686	(297,874)	217,323	12,690,784
Mulkia IPO Fund	3,922,337	-	(3,922,337)	-	-
Mulkia Gulf Real Estate REIT	13,860,000	-	-	(1,665,000)	12,195,000
Second: Investments in non-operating subsidiaries					
Mulkia Investment Company Ltd. *	610,662	-	-	(34,860)	575,802
Third: Investments in non-operating companies					
Dur Al Kuttab Company Ltd.	2,500,000	-	-	-	2,500,000
Tamadun Al Oula for Real Estate Company	2,500	-	-	-	2,500
Fourth: Investments in other funds					
Al Jazira Capital Fund	-	6,000,000	-	20,820	6,020,820
Total Investments	30,051,148	9,615,686	(4,220,211)	(1,461,717)	33,984,906

*At October 8, 2018, the following companies of Mulkia Investment Company Ltd. were merged: Mulkia Investment Fund Ltd. and Mulkia Real Estate Fund Company Ltd. and Mulkia Real Estate Investment Company Ltd.

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	As at 31 December 2017				
	Beginning balance SR	Additions during the year SR	Disposals during the year SR	Unrealized loss SR	Ending balance SR
First: Funds managed by the Company					
Mulkia Saudi Equity Fund	13,945,948	-	(4,169,942)	(620,357)	9,155,649
Mulkia IPO Fund	11,953,772	-	(7,449,534)	(581,901)	3,922,337
Mulkia Gulf Real Estate REIT	-	15,000,000	-	(1,140,000)	13,860,000
Second: Investments in non-operating subsidiaries					
Mulkia Investment Company Ltd.	166,949	-	-	(14,999)	151,950
Mulkia Investment Fund Company Ltd.	166,876	-	-	(13,972)	152,904
Mulkia Real Estate Fund Company Ltd.	166,876	-	-	(13,972)	152,904
Mulkia Real Estate Investment Company Ltd.	166,876	-	-	(13,972)	152,904
Third: Investments in non-operating companies					
Dur Al Kuttab Company Limited	2,500,000	-	-	-	2,500,000
Tamadun Al Oula for Real Estate Company	2,500	-	-	-	2,500
Fourth: Investment portfolio	4,539,827	-	(4,539,827)	-	-
Total Investments	33,609,624	15,000,000	(16,159,303)	(2,399,173)	30,051,148

	As at 1 January 2017				
	Beginning balance SR	Additions during the year SR	Disposals during the year SR	Unrealized gain (loss) SR	Ending balance SR
First: Funds managed by the Company					
Mulkia Saudi Equity Fund	13,676,966	-	-	268,982	13,945,948
Mulkia IPO Fund	19,104,067	-	(7,139,181)	(11,114)	11,953,772
Second: Investments in non-operating subsidiaries					
Mulkia Investment Company Ltd.	177,730	-	-	(10,781)	166,949
Mulkia Investment Fund Company Ltd.	177,655	-	-	(10,779)	166,876
Mulkia Real Estate Fund Company Ltd.	177,655	-	-	(10,779)	166,876
Mulkia Real Estate Investment Company Ltd.	177,655	-	-	(10,779)	166,876
Third: Investments in non-operating companies					
Dur Al Kuttab Company Limited	2,500,000	-	-	-	2,500,000
Tamadun Al Oula for Real Estate Company	2,500	-	-	-	2,500
Fourth: Investment portfolio	7,777,291	-	(3,151,641)	(85,823)	4,539,827
Total Investments	43,771,519	-	(10,290,822)	128,927	33,609,624

12. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent subsidiary companies, the shareholders of the company, key management personnel of the Company, entities controlled, jointly controlled or significantly influenced by such parties and affiliate entities of the Company. Pricing policies and terms of these transactions are approved by the Company's management.

Significant related party transactions during the year and balances arising at the end of the year are described below:

Related parties	Nature of transactions	Amount of transactions: For the year ended 31 December 2018 SR	For the year ended 31 December 2017 SR	For the year ended 1 January 2017 SR
Mutual funds managed by the Company	Management fee	**12,597,158**	7,363,665	5,453,125
	Custodian fee	**15,608**	128,419	192,324
	Subscription charges	-	3,965,723	33,722
Tamadun Al Oula Real Estate Company	Advance for investment	-	-	2,500
	Expenses recharged	**11,750**	17,336	45,208
Dur Al Kuttab Company Limited	Expenses recharged	**21,233**	654,458	87,148
	Investment in a company	-	-	2,500,000
The Knowledge and Childhood Company	Expenses recharged	-	-	20,200
Daken El -Alamia Company Limited	Advertising services	**41,300**	271,867	50,270
Shareholders' discretionary portfolio management	Management fee	**229,480**	286,292	408,287
	Performance fee	**19,889**	-	-
Arranging and Consulting for shareholders	Arranging fee	-	-	325,800
	Consulting fee	-	-	37,500

The due balances from related parties as at 31 December represented as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Mutual funds managed by the Company	**9,082,203**	3,251,856	2,014,792
Shareholders' discretionary portfolio management	**133,820**	282,174	179,241
Due form subsidiaries and affiliated companies	**232,873**	170,509	155,218
	9,448,896	3,704,539	2,349,251

Remuneration of Key Management Personnel

Key management personnel represent in key members of the Company's management. The remuneration for key management personnel of the Company during the year is as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Salaries and other short-term benefits	**1,741,141**	5,667,251	2,718,084
Post-employment benefits	**125,605**	102,224	112,244
	1,866,746	5,769,475	2,830,328

Board and other executive committee allowances during the year ended December 31, 2018 are disclosed in note (21).

13. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Prepaid expenses	**683,097**	657,242	680,073
Accrued management and professional fee	**62,321**	73,701	174,120
Advances to employees	**25,792**	390,703	30,628
Advances to suppliers	-	10,000	-
Others	**33,312**	294,979	44,979
	804,522	1,426,625	929,800

12. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Accrued bonus	**1,100,000**	-	-
Accrued expenses	**717,662**	259,576	580,402
VAT	**119,965**	-	-
Accrued commission	-	2,164,251	2,084,094
Others	-	-	56,009
	1,937,627	2,423,827	2,720,505

13. ZAKAT PROVISION

A) Components of zakat base

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Share Capital	**75,000,000**	75,000,000	75,000,000
Provisions and other adjustments	**(64,168,480)**	(63,745,567)	(56,691,436)
Book value of long-term assets	**(2,194,058)**	(2,766,507)	(3,603,049)
Adjusted income (loss) for the year	**2,965,595**	(525,540)	(8,805,479)
Zakat base	**11,603,057**	7,962,386	5,900,036
Zakat 2.5%	**290,077**	199,060	147,501

15. ZAKAT PROVISION (CONTINUED)

B) Movement in provision during the year

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
At the beginning of the year	**199,060**	147,501	502,720
Additions during the year	**290,077**	182,371	132,210
Paid during the year	**(199,060)**	(130,812)	(487,429)
At the end of the year	**290,077**	199,060	147,501

C) Status of Assessments

The Company obtained the Zakat Certificate up to 2017, and no assessment have been received to date.

16. SHARE CAPITAL

The authorized share capital of the Company is SR 75 million which is divided into 7.5 million share of SR 10 each as at 31 December 2018.

At December 5, 2018, the extraordinary general assembly agreed to reduce authorized share capital amounting SR 150 million to paid share capital to be SR 75 million as the share capital is in excess of the Company's current needs. Approval on the reduction was obtained from CMA and the Company's article of association was adjusted.

17. STATUTORY RESERVE

In accordance with the Regulations for Companies, the Company should establish a statutory reserve by the appropriation of 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution. In view of the losses incurred from previous years, no such transfer has been made.

18. EMPLOYEES' BENEFITS OBLIGATION PLAN

In accordance with IAS 19 Employee Benefits, the management has conducted a test to assess the present value of its liabilities as defined in the statement of financial position date, in respect of employees 'end of service benefits in accordance with local rules and contractual arrangements. The main actuarial assumptions used to calculate employees' as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Discount rate	**3.0%**	3.1%	3.0%
Salary increase rate	**2.5%**	2.5%	2.5%

Movement in employees' benefits obligation plan is as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
At the beginning of the year	**446,773**	475,822	473,505
Charged on statement of profit or loss			
Additions during the year	**224,868**	124,312	194,954
Statement of other comprehensive income			
Employees' benefits obligation plan remeasurement losses	**17,520**	-	-
Paid during the year	**(191,616)**	(153,361)	(192,637)
At the end of the year	**497,545**	446,773	475,822

19. REVENUE

	2018 SR	2017 SR
Fund management fees	12,597,158	7,363,665
management fees and high performance private portfolio	1,633,317	617,152
Offering and arrangement fees	1,500,000	250,000
Acquisition and financing structure fees	1,403,000	-
Dividends received	922,500	93,150
Fund custody fees	15,608	128,419
Subscription fees	-	6,466,235
	18,071,583	14,918,621

20. COST OF REVENUE

	2018 SR	2017 SR
Employees' salaries and related costs	3,628,834	1,922,829
Subscription expenses, government fees and CMA license fees	451,526	447,349
Bonus and remunerations	400,000	627,770
Rent	298,609	341,364
Commissions	165,254	-
Professional and consultancy services	153,514	576,810
Others	553,325	26,730
	5,651,062	3,942,852

21. GENERAL AND ADMINISTRATION EXPENSES

	2018 SR	2017 SR
Employees' salaries and related costs	2,878,961	1,722,206
Professional and consultancy services	1,288,625	916,460
Board and other executive committee annual remuneration (note 12)	1,123,800	3,503,000
Bonus and remunerations	705,000	338,430
Depreciation (note 7)	681,311	710,544
Insurance	376,872	269,217
Rent	357,996	309,955
Subscriptions and government fees	178,944	109,635
Amortization (note 8)	108,813	87,848
Maintenance expenses	100,802	108,020
Utilities	74,764	79,622
Recruitment expenses	-	281,912
Accrued commission reversed	(1,000,000)	-
Others	778,287	733,283
	7,654,175	9,170,132

22. MARKETING EXPENSES

	2018 SR	2017 SR
Employees' salaries and related costs	192,494	972,853
Advertisements	76,700	472,174
Commissions	14,729	105,457
Bonus and remunerations	-	135,000
Others	12,000	20,293
	295,923	1,705,777

23. SEGMENTAL INFORMATION

According to the Company's internal reporting process, business segments have been approved by the Company's Board of Directors in respect of the Company's activities. Transactions between the business segments are reported at normal commercial terms. The Company develops, structures and executes solutions that help clients achieve their objective by optimizing the way they access and allocate capital. The Company comprises the following main business segments:

Capital management

Capital management segments utilizes the Company's balance sheet capabilities and aims to originate profitable transactions by either directly investing in products of other financial institutions or via co-investing with valued clients in the Company's products and/or mutual Company's products and/or mutual funds.

Asset management

Asset management segment provides investment opportunities through a large and growing portfolio of public and private funds in the areas of real estate and capital markets. Discretionary fund and portfolio management services are also provided. Asset management segment delivers investment management solutions for institutions and high net worth individuals through mutual funds.

Others

Others include advisory, arranging, underwriting and custody. The Company's operating income and net operating income by business segment as at December 31, 2018 and 2017:

31 December 2018	Capital Management SR	Asset Management SR	Others SR	Total SR
(Losses) / Revenue	(843,742)	15,649,080	1,500,000	16,305,338
Gross (losses) / profit	(3,384,460)	13,819,556	219,180	10,654,276
Total assets	58,697,464	-	-	58,697,464
Total liabilities	2,725,249	-	-	2,725,249

31 December 2017	Capital Management SR	Asset Management SR	Others SR	Total SR
(Losses) / Revenue	(2,009,656)	14,575,470	250,000	12,815,814
Gross (losses) / profit	(3,557,098)	12,618,810	(188,750)	8,872,962
Total assets	58,445,999	-	-	58,445,999
Total liabilities	3,069,660	-	-	3,069,660

The Company operates in one geographical segment which is Kingdom of Saudi Arabia.

24. LOSS PER SHARE

Earnings per share attributable to net income is calculated by dividing net income for the year by the weighted average number of shares at the end of the year amounting 7,500,000 shares.
Earnings per share attributable to income from main operations is calculated by dividing income from main operations for the year by the weighted average number of shares at the end of the year amounting 7,500,000 shares.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

Fair value is the amount by which an asset is sold or a liability settled between willing parties on fair terms at the measurement date. Within the definition of fair value, it is assumed that the Company is a continuing operating entity where there is no intention or requirement to materially reduce the volume of its operations or to conduct a transaction on adverse terms.
Fair values are classified at different levels in the fair value hierarchy based on the inputs used in valuation methods as follows:
First level: market prices which stated in active markets for the same financial instruments.
Second level: Valuation techniques are based on inputs that effect on fair value and can be observable directly or indirectly in the market.
Third level: Valuation techniques are based on inputs that effect on fair value and cannot be observable directly or indirectly in the market.

	First level	Second level	Third level	Total
As at December 31, 2018:				
Investments as at fair value through profit or loss	**33,984,906**	-	-	**33,984,906**
Investments as at fair value through other comprehensive income	**8,434,290**	-	-	**8,434,290**
	42,419,196	-	-	**42,419,196**

	First level	Second level	Third level	Total
As at December 31, 2017:				
Investments as at fair value through profit or loss	30,051,148	-	-	30,051,148
Investments as at fair value through other comprehensive income	14,945,920	-	-	14,945,920
	44,997,068	-	-	44,997,068

Capital risk management

The company manages its capital to ensure that the company have ability to continue as a going concern, while achieving higher returns through optimizing debt and equity balances. The company's overall strategy for the year 2017 has not changed.
The capital structure of the Company includes the equity attributable to shareholders of the Company comprising capital, reserves, fair value reserve and retained earnings as included in the statement of changes in shareholders' equity.

Financial risk management

The Company's activities may be exposed to financial risks arising from the following:

<u>Foreign currency risk</u>
The Company is not exposed to significant risks associated with foreign currency exchange and therefore no effective management of such exposure is required.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management (Continued)

Interest rate risk

The financial instruments in the statement of financial position are not subject to interest rate risk.

Another Prices risk

The Company is exposed to price risk from its investments in the equity of other companies. The Company retains these investments for strategic purposes and not for trading purposes and the Company does not trading in those investments.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and accounts receivable as follows:

	31 December 2018 SR	31 December 2017 SR	1 January 2017 SR
Cash at banks	**3,686,299**	5,415,466	2,281,849
Due from related parties	**9,448,896**	3,704,539	2,349,251
	13,135,195	9,120,005	4,631,100

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments the Company is committed to others.

In order to reduce liquidity risk and its related losses on the Company's trading activities, the Company retains, when possible, enough highly liquid current assets in all work circumstances. The Company keeps away from financing long-term capital requirements through short-term borrowing and operations related to current accounts with related parties. Currently, long-term projects are financed by long-term loans only. The Company also estimates its cash flows using a highly dynamic and systematic policy through which it can estimate maturity dates of its obligations and putting relevant plans to provide required resources to meet its obligations when due.

Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The company manages its liquidity risk by ensuring that the necessary funds are available when needed.

A- Below are details of assets and liabilities maturities as at December 31, 2018:

31 December 2018 **Assets**	**3 months or less SR**	**More than 3 months till one year SR**	**More than a year till 10 years SR**	**No specific maturity dates SR**	**Total SR**
Investments as at fair value through profit or loss	-	-	-	**33,984,906**	**33,984,906**
Investments as at fair value through other comprehensive income	-	-	-	**8,434,290**	**8,434,290**
Prepayments and other receivables	**804,522**	-	-	-	**804,522**
Due from related parties	**9,448,896**	-	-	-	**9,448,896**
Total	**10,253,418**	-	-	**42,419,196**	**52,672,614**
Liabilities					
Accrued expenses and other payables	**1,937,627**	-	-	-	**1,937,627**
Zakat provision	**290,077**	-	-	-	**290,077**
Employees' benefits obligation plan	-	-	-	**497,545**	**497,545**
Total	**2,227,704**	-	-	**497,545**	**2,725,249**

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

B- Below are details of assets and liabilities maturities as at December 31, 2017:

31 December 2017	3 months or less SR	More than 3 months till one year SR	More than a year till 10 years SR	No specific maturity dates SR	Total SR
Assets					
Investments as at fair value through profit or loss	-	-	-	30,051,148	30,051,148
Investments as at fair value through other comprehensive income	-	-	-	14,945,920	14,945,920
Prepayments and other receivables	1,426,625	-	-	-	1,426,625
Due from related parties	3,704,539	-	-	-	3,704,539
Total	5,131,164	-	-	44,997,068	50,128,232
Liabilities					
Accrued expenses and other payables	2,423,827	-	-	-	2,423,827
Zakat provision	199,060	-	-	-	199,060
Employees' benefits obligation plan	-	-	-	446,773	446,773
Total	2,622,887	-	-	446,773	3,069,660

26. ASSETS HELD UNDER FIDUCIARY CAPACITY

The Company holds assets on behalf of its customers, under discretionary portfolio management and funds (managed by MIC). As the Company acts in a fiduciary capacity, these assets are not included in the balance sheet. As at 31 December 2018, the Company holds assets under management amounting to SR 1,188 million on behalf of, and for the beneficial interest of its customers (31 December 2017: SR 957 million).

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

	31 December 2018 SR	(Adjusted) 31 December 2017 SR
Capital Base		
Tier Capital	**54,356,950**	53,030,419
Total Capital Base	**54,356,950**	53,030,419
Minimum Capital Requirement:		
Market risk	**963,331**	18,000,000
Credit risk	**14,640,550**	18,019,131
Operational risk	**3,722,809**	3,750,283
Total minimum capital required (see note 27\D)	**19,326,690**	39,769,414
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**2.81**	1.33
Tier Capital Ratio (times)	**2.81**	1.33
Surplus in the capital (see note 27/E)	**35,030,259**	13,261,005

27. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO (CONTINUED)

A) The capital base consists of Tier 1 capital (which includes share capital and retained earnings or accumulated losses).
The Company does not have Tier 2 capital as per article (4) and (5) of the Prudential Rules. The minimum capital requirements for market, credit and operational risk are calculated as per requirements specified in section 3 of the Prudential Rules.

B) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirements.

C) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

D) The Minimum paid up capital required as per Article 6(g) of the Authorized Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.

E) The Company discloses, on an annual basis, certain information as per Pillar III of the Prudential Rules for public on the Company's website (http://www.mulkia.com.sa). However, these are not subject to review or audit by the external auditors of the Company.

28. GENERAL

The figures in the financial statements are rounded to the nearest Saudi Riyal.

29. BOARD OF DIRECTORS APPROVAL

The financial statements of the Company were approved by the Board of Directors on 19 Rajab 1440H (corresponding to 26 March 2019).

30. SUBSEQUENT EVENTS

As per the management's opinion, there were no major subsequent events after December 31, 2018 till the approval date on the financial statements which may have a substantial effect on the financial statements as at December 31, 2018.