# NOMW Capital Company for Financial Consultant
(A Saudi Closed Joint Stock Company)
## FINANCIAL STATEMENTS
**For the year ended 31 December 2018**
together with the
**Independent Auditor's Report**

# Independent Auditor's Report

**To the Shareholder**
**NOMW Capital Company for Financial Consultant (A Saudi Closed Joint Stock Company)**

***Our opinion***
We have audited the financial statements of NOMW Capital Company for Financial Consultant (the "Company"), which comprise the financial position as at 31 December 2018, statements of income, comprehensive income, changes in shareholder's equity, cash flows for the year ended 31 December 2018, and summary of significant accounting policies and other explanatory notes from 1 to 22.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia.

***Basis for opinion***
We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Independence***
We are independent of the Company in accordance with the code of professional 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.

***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 IFRS as endorsed in the Kingdom of Saudi Arabia and the applicable requirements of the Regulations for Companies and the Company's By-Laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the 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 the 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.

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**Independent Auditor's Report (Continued)**

**To the Shareholder**
**NOMW Capital Company for Financial Consultant (A Saudi Closed Joint Stock Company)**

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

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

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

We communicate with management and 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.

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## Independent Auditor's Report (Continued)

**To the Shareholder**
**NOMW Capital Company for Financial Consultant (A Saudi Closed Joint Stock Company)**

***Report on other legal and regulatory requirements***

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**Al-Bassam& Co.**
**(Allied Accountants)**

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محاسبون قانونيون
رقم الترخيص ٥٢٠
C.R 1010385804
License 520
Allied Accountants
Certified Public Accountants

**Ibrahim A. Al-Bassam**
Certified Public Accountant
License No. 337

4 March 2019
27 Jumada al Alkhir 1440

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**NOMW Capital Company for Financial Consultant**
(A Saudi Closed Joint Stock Company)
**STATEMENT OF FINANCIAL POSITION**
As at 31 December 2018
*(Saudi Arabian Riyals)*

| | Notes | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT ASSETS** | | | | |
| Cash and bank balance | 4 | 36,226,976 | 35,107,936 | 33,006,875 |
| Accounts Receivable | 6 | 2,133,648 | 4,820,936 | 402,591 |
| Due from related parties | 8 | 15,706,163 | 2,226,131 | 2,360,392 |
| Prepayments and other current assets | 7 | 929,082 | 754,053 | 1,757,435 |
| Investments measured at FVIS | 5 | 256,304 | 422,378 | 9,341,360 |
| **TOTAL CURRENT ASSETS** | | **55,252,173** | **43,331,434** | **46,868,653** |
| **NON CURRENT ASSETS** | | | | |
| Investments measured at FVOCI | 9 | 8,857,984 | 10,134,232 | 11,318,557 |
| Property and equipment | 10 | 56,629 | 100,373 | 246,962 |
| **TOTAL NON CURRENT ASSETS** | | **8,914,613** | **10,234,605** | **11,565,519** |
| **TOTAL ASSETS** | | **64,166,786** | **53,566,039** | **58,434,172** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| **CURRENT LIABILITIES** | | | | |
| Accrued expenses and other current liabilities | 11 | 2,977,767 | 871,662 | 628,760 |
| Accrued Zakat | 12 | 1,320,563 | 1,069,539 | 1,349,280 |
| Subsidiary equity obligation | | - | - | 2,043,643 |
| **TOTAL CURRENT LIABILITIES** | | **4,298,330** | **1,941,201** | **4,021,683** |
| **NON CURRENT LIABILITIES** | | | | |
| Employees' post-employment benefits | 13 | 866,242 | 966,944 | 636,452 |
| **TOTAL LIABILITIES** | | **5,164,572** | **2,908,145** | **4,658,135** |
| **SHARE HOLDER'S EQUITY** | | | | |
| Share Capital | 14 | 50,000,000 | 50,000,000 | 50,000,000 |
| Statutory reserve | 15 | 1,811,197 | 887,129 | 887,129 |
| Retained earnings | | 11,113,478 | 2,796,867 | 4,728,253 |
| Fair value reserve | | (4,299,918) | (3,023,670) | (1,839,345) |
| Actuarial gain / (Loss) | 13 | 377,457 | (2,432) | - |
| **Total shareholder's equity** | | **59,002,214** | **50,657,894** | **53,776,037** |
| **Total liabilities and shareholder's equity** | | **64,166,786** | **53,566,039** | **58,434,172** |

The accompanying notes (1) to (22) form an integral part of these financial statements.

**NOMW Capital Company for Financial Consultant**
(A Saudi Closed Joint Stock Company)
**STATEMENT OF INCOME**
For the year ended 31 December 2018
*(Saudi Arabian Riyals)*

| | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| **INCOME** | | | |
| Arrangement fee | | **2,929,137** | 6,383,831 |
| Asset management fee | | **16,353,614** | 3,061,983 |
| Custody fee | | **1,296,096** | 986,460 |
| Loss from proprietary investments, net | 16 | **339,846** | (325,758) |
| **TOTAL INCOME** | | **20,918,693** | 10,106,516 |
| **EXPENSES** | | | |
| General and administrative expenses | 17 | **(10,322,067)** | (11,018,550) |
| **TOTAL EXPENSES** | | **(10,322,067)** | (11,018,550) |
| **INCOME / (LOSS) BEFORE ZAKAT** | | **10,596,626** | (912,034) |
| Zakat | 12 | **(1,355,947)** | (1,073,051) |
| **NET INCOME / (LOSS) FOR THE YEAR** | | **9,240,679** | (1,985,085) |
| **Attributable to:** | | | |
| Equity holder for the parent | | **9,240,679** | (1,931,386) |
| Subsidiary equity obligations – net | | **-** | (53,699) |
| | | **9,240,679** | **(1,985,085)** |

The accompanying notes (1) to (22) form an integral part of these financial statements.

**NOMW Capital Company for Financial Consultant**
(A Saudi Closed Joint Stock Company)
**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2018
*(Saudi Arabian Riyals)*

| | **For the year ended 31 December 2018** | For the year ended 31 December 2017 |
|---|---|---|
| **NET INCOME/ (LOSS) FOR THE YEAR** | **9,240,679** | (1,931,386) |
| **Items cannot be reclassified classified to statement of income in subsequent year:** | | |
| - Net change on equity instruments at fair value through other comprehensive income | **(1,276,248)** | (1,184,325) |
| -actuarial gain / (loss) for the year | **379,889** | (2,432) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR** | **(896,359)** | (1,186,757) |
| **TOTAL COMPREHENSIVE INCOME/ (LOSS)** | **8,344,320** | (3,118,143) |

The accompanying notes (1) to (22) form an integral part of these financial statements.

**NOMW Capital Company for Financial Consultant**
(A Saudi Closed Joint Stock Company)
**STATEMENT OF CHANGES IN SHARE HOLDER'S EQUITY**
For the year ended 31 December 2018
*(Saudi Arabian Riyals)*

| | Capital | Statutory Reserve | Retained earnings | Actuarial gain and losses reserves | Fair value reserve | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2017** | 50,000,000 | 887,129 | 4,728,253 | - | (1,839,345) | 53,776,037 |
| Net income for the year | - | - | (1,931,386) | - | - | (1,931,386) |
| Net changes in fair value investments measured at FVOCI | - | - | - | - | (1,184,325) | (1,184,325) |
| actuarial gain / (loss) for the year | - | - | - | (2,432) | - | (2,432) |
| **Total Comprehensive income for the year** | **-** | **-** | **(1,931,386)** | **(2,432)** | **(1,184,325)** | **(3,118,143)** |
| **Balance as at 31 December 2017** | **50,000,000** | **887,129** | **2,796,867** | **(2,432)** | **(3,023,670)** | **50,657,894** |
| | 50,000,000 | 887,129 | 2,796,867 | (2,432) | (3,023,670) | 50,657,894 |
| **Balance at 1 January 2018** | | | | | | |
| Net income for the year | - | - | 9,240,679 | - | - | 9,240,679 |
| Net changes in fair value investments measured at FVOCI | - | - | - | - | (1,276,248) | (1,276,248) |
| actuarial gain / (loss) for the year | - | - | - | 379,889 | - | 379,889 |
| **Total Comprehensive income for the year** | - | - | 9,240,679 | 379,889 | (1,276,248) | 8,344,320 |
| Transferred to statutory reserve | - | 924,068 | (924,068) | - | - | - |
| **Balance as at 31 December 2018** | **50,000,000** | **1,811,197** | **11,113,478** | **377,457** | **(4,299,918)** | **59,002,214** |

The accompanying notes (1) to (22) form an integral part of these financial statements.

**NOMW Capital Company for Financial Consultant**
(A Saudi Closed Joint Stock Company)
**STATEMENT OF CASH FLOWS**
For the year ended 31 December 2018
*(Saudi Arabian Riyals)*

| | For the year ended 31 December 2018 | For the year ended 31 December 2017 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net income for the year | **9,240,679** | (1,985,085) |
| *Adjustments to reconcile net income to net cash from operating activities* | | |
| Unrealized gain on investment measured at FVIS | **166,074** | 151,082 |
| Realized gain on investment measured at FVIS | **-** | 490,333 |
| Depreciation | **63,602** | 152,539 |
| Provision for Employees' post employment benefits | **365,975** | 328,060 |
| Zakat charge for the year | **1,355,947** | 1,073,051 |
| | **11,192,277** | 209,980 |
| *Changes in operating assets and liabilities* | | |
| Accounts Receivable | **2,687,288** | (4,418,345) |
| Due from related parties | **(13,480,032)** | 134,261 |
| Prepayments and other current assets | **(175,029)** | 1,003,382 |
| Accrued expenses and other current liabilities | **2,106,105** | 242,902 |
| | **2,330,609** | (2,827,820) |
| Zakat paid | **(1,104,923)** | (1,352,792) |
| Employees' post employment benefits paid | **(86,788)** | - |
| **Net cash from / (used in) operating activities** | **1,138,898** | (4,180,612) |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | **(19,858)** | (5,950) |
| Purchase of investments measured at FVIS | **-** | (5,277,888) |
| Proceeds for sale of investments FVIS | **-** | 13,555,455 |
| **Net cash (used in) / from investing activities** | **(19,858)** | 8,271,617 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Settlement of subsidiary equity obligation | **-** | (1,989,944) |
| **Net cash used in investing activities** | **-** | (1,989,944) |
| **Net increase in balances with bank** | **1,119,040** | 2,101,061 |
| Balances with bank at opening of the year | **35,107,936** | 33,006,875 |
| **Balances with bank at the end of the year** | **36,226,976** | 35,107,936 |
| **Supplemental non-cash information** | | |
| Net changes in fair value of investments measured at FVOCI | **(1,276,248)** | (1,184,325) |

The accompanying notes (1) to (22) form an integral part of these financial statements.

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

NOMW Capital Company for Financial Consultant (the "Company") is a Saudi Closed Joint Stock Company established and registered in Riyadh, Kingdom of Saudi Arabia under commercial registration No. 1010404870 on 17 Rabi Thani 1435H (corresponding to 17 February 2014). The Company carries out its activities under authorization license number 13172-37 dated 23 Muharram 1435H (corresponding to 26 November 2013) issued by the Capital Market Authority ("CMA").

The principal activities of the Company are to carry out dealing as principal, underwriting, managing, arranging and acting as custodian in the securities business as per license of the CMA. Further, the Company received the approval of Ministry of Commerce and Industry to start its operations on Thursday 13 Rabi Thani 1435H corresponding to 13 February 2014.

As at 31 December 2017, the Company has 100% (31 December 2016: 89.65%) shareholding in NOMW IPO Fund (the "Fund" or "Subsidiary"). The investment objective of the Fund is to invest in accordance to the Sharia guidelines of the Fund by investing in the initial public offering ("IPO") of the Saudi companies and to invest in the rump offering of right issues and by investing in the shares of the companies which have not been listed for more than three (3) years on the Saudi stock exchange "Tadawul", and to invest the available cash in money market instruments in Saudi Riyal. The Company requested the approval of liquidating the Fund on 26 December 2017 from the CMA and CMA approved such request on 10 January 2018. Accordingly the financial information for the year ended 31 December 2018 is unconsolidated, whereby, the comparative information throughout the financial statements includes consolidated numbers, and, thus accordingly, is not comparable to the 31 December 2018 financial information.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia.

For all periods up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants ("SOCPA"). The financial statements for the year ended 31 December 2018 are the first financial statements of the Company prepared in accordance with IFRS (Note 3).

The financial statements have been prepared on a historical cost convention, except for the measurement at fair value of investments measured at FVIS and investments measured at FVOCI.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### 2.2 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Company's functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates.

Prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

### 2.3 Critical accounting judgments، estimates and assumption

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods

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

**Going Concern**

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

**Impairment of non-financial assets**

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

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

**Actuarial valuation of employee benefits liabilities**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### 2.4 *Cash and cash equivalents*

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

### *2.5 Financial instruments*

***Change in accounting policies***

The Company has adopted IFRS 9 '*Financial Instruments*' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 3), the Company has elected to restate its comparative figures. Adjustments to the carrying amounts of financial assets and liabilities at the date of transition (1 January 2017), if any, were recognised in the opening retained earnings of the prior period.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current year (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in below notes.

***Classification and measurement of financial instruments***

There are changes to the classification and measurement of financial assets. The measurement category and the carrying amount of financial assets in accordance with previous accounting policies under SOCPA and IFRS 9 as at 1 January 2017 are compared in the following table.

| | SOCPA | | IFRS 9 | |
|---|---|---|---|---|
| | **Measurement category** | **Carrying amount** | **Measurement category** | **Carrying amount** |
| **Financial assets** | | | | |
| Cash and cash equivalents | Amortised cost (Loans and receivables) | 33,006,875 | Amortised cost | 33,006,875 |
| Accounts Receivable | Amortised cost (Loans and receivables) | 402,591 | Amortised cost | 402,591 |
| Due from related parties | Amortised cost (Loans and receivables) | 2,360,392 | Amortised cost | 2,360,392 |
| Trading Investment | FVIS | 9,341,360 | FVIS | 9,341,360 |
| Available for sale investment | FVOCI | 11,318,557 | FVOCI | 11,318,557 |

***Reconciliation of statement of financial position balances from SOCPA to IFRS 9***

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with SOCPA to their new measurement categories upon transition to IFRS 9 on 1 January 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *2.5 Financial instruments (continued)*

| | Ref | SOCPA amount 1 January 2017 | Re-classifications | Re-measurement | IFRS 9 amount 1 January 2017 |
|---|---|---|---|---|---|
| **Amortised cost** | | | | | |
| Cash and cash equivalents | | 33,006,875 | - | - | 33,006,875 |
| Accounts Receivable | | 402,591 | - | - | 402,592 |
| Due from related parties | | 2,360,392 | - | - | 2,360,392 |
| **Fair Value** | | | | | |
| Available for sale investment | A | 11,318,557 | (11,318,557) | - | - |
| Trading Investment | A | 9,341,360 | (9,341,360) | | |
| Investments measured at FVIS | A | - | 9,341,360 | - | 9,341,360 |
| Investments measured at OCI | A | - | 11,318,557 | - | 11,318,557 |

A. Upon transition to IFRS 9, Financial assets (equity investment) classified under SOCPA as held for trading and available for sale investment have been classified as investment in FVIS and FVOCI with no changes to measurement.

At 1 January 2017, there were no instruments reclassified from amortized cost measurement to fair value measurement or vice versa.

### *2.5.1 Measurement methods*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### 2.5 Financial instruments (continued)

#### *2.5.2 Classification and measurement of financial assets*

*Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Company classifies its Equity instruments at fair value through income statement (FVIS). The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and Losses are recognised in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of profit and loss statement when the Company's right to receive payments is established.

#### *2.5.3 Impairment of financial assets*

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### *2.5.4 Derecognition*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### 2.5 Financial instruments (continued)

#### *2.5.5 Financial liabilities*

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at FVIS. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

### 2.6 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 2.7 Employees' post employment benefits

Post-employment defined benefit plans, end of service benefits plan, indemnity plans and other long-term employee related liabilities represent obligations that will be settled in the future and require actuarial valuations to determine these obligations. Management is required to make further assumptions regarding variables such as discount rates, rates of salary increase, longevity, employee turnover and future healthcare costs, if applicable. Periodically, management consults external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and employee defined benefit cost.

### 2.8 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

### 2.9 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

### 2.10 Zakat

Zakat is provided for the Company in accordance with Saudi Arabian fiscal regulations. The provision is charged to the statement of income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

### 2.11 Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment in value. The cost of property and equipment is depreciated and amortised on the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold improvements | 2 years |
| Computers, equipment and software | 3 years |
| Furniture and fixtures | 3 years |
| Motor vehicles | 5 years |

### 2.12 Assets under management

The Company offers asset management services to its customers, which include management of certain mutual funds and DPMs. Such assets are held in fiduciary capacity and are not treated as assets of the Company. Accordingly, these are not included in the financial statements and are treated as off-balance sheet items.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### 2.13 *Income recognition*

- ***Asset management and advisory fee income***
  Fees and commissions are recognized when the service has been provided. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Fees received on asset management, financial planning and custody services are recognized over the period when the service is provided.

- ***Underwriting fee income***
  Underwriting fee income is recognized when the shares are allotted to the investors.

- ***Special commission income on deposits***
  Special commission income on deposits for all commission-bearing financial instruments, are recognized in the statement of income on the effective yield basis. The effective yield is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective yield, the Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

- ***Dividend income***
  Dividend income is recognized when the right to receive dividend is established.

### 2.14 *Expenses*

All expenses not directly attributable to the earning of income are classified as general and administrative expenses.

## 3 FIRST-TIME ADOPTION OF IFRS

The financial statements for the period ended 31 December 2018 are the first financial statements of the Company prepared in accordance with IFRS endorsed by the Kingdom of Saudi Arabia. For periods up to and including the year ended 31 December 2017. The Company prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants (“SOCPA”).

Accordingly, the Company has prepared the financial statements that comply with IFRS applicable as at 31 December 2017 and 1 January 2017. This note explains the principal adjustments made by the Company in restating its previous statements of financial positions as at 1 January 2017 and 31 December 2017 which had been prepared in accordance with the requirements of SOCPA.

The Company has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of 1 January 2017, which resulted in adjustments to the amounts previously recognized in the financial statements.

In accordance with the transition provisions of IFRS 9, the Company has restated the comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition (28 February 2017), were recognized in the opening retained earnings and other reserves of previous period. Accordingly, the information presented in comparative periods reflect the requirements under IFRS 9 and therefore is comparable to the information presented for the year and period ended 31 December 2018 and 2017, respectively.

## 3 FIRST-TIME ADOPTION OF IFRS (continued)

### *3-A The reconciliation of financial position of the Company as at 1 January 2017 and 31 January 2017*

| | Notes | SOCPA 1 January 2017 | Effect of transition to IFRS | IFRS 1 January 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and bank balance | | 33,006,875 | | 33,006,875 |
| Accounts Receivable | | 402,591 | | 402,591 |
| Due from related parties | | 2,360,392 | | 2,360,392 |
| Prepayments and other current assets | | 1,757,435 | | 1,757,435 |
| Investments measured at FVIS | | 9,341,360 | | 9,341,360 |
| Investments measured at FVOCI | | 11,318,557 | | 11,318,557 |
| Property, plant and equipment | | 246,962 | | 246,962 |
| **TOTAL ASSETS** | | **58,434,172** | | **58,434,172** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| **LIABILITIES** | | | | |
| Accrued expenses and other current liabilities | | 628,760 | | 628,760 |
| Accrued Zakat | | 1,349,280 | | 1,349,280 |
| Employees' post employment benefits | | 420,416 | 216,036 | 636,452 |
| Subsidiary equity obligation | | 2,043,643 | | 2,043,643 |
| **TOTAL LIABILITIES** | | **4,442,099** | | 4,658,135 |
| **SHARE HOLDER'S EQUITY** | | | | |
| Share Capital | | 50,000,000 | | 50,000,000 |
| Statutory reserve | | 887,129 | | 887,129 |
| Retained earnings | | 3,179,944 | 1,548,309 | 4,728,253 |
| Fair value reserve | | (75,000) | (1,764,345) | (1,839,345) |
| **Total shareholder's equity** | | **53,992,073** | | **53,776,037** |
| **Total liabilities and shareholder's equity** | | **58,434,172** | - | **58,434,172** |

## 3 FIRST-TIME ADOPTION OF IFRS (continued)

***3-A The reconciliation of financial position of the Company as at 1 January 2017 and 31 December 2017 (continued)***

| | Notes | SOCPA 31 December 2017 | Effect of transition to IFRS | IFRS 31 December 2017 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and bank balance | | 35,107,936 | | 35,107,936 |
| Accounts Receivable | | 4,820,936 | | 4,820,936 |
| Due from related parties | | 2,226,131 | | 2,226,131 |
| Prepayments and other current assets | | 754,053 | | 754,053 |
| Investments measured at FVIS | | 422,378 | | 422,378 |
| Investments measured at FVOCI | | 10,134,232 | | 10,134,232 |
| Property, plant and equipment | | 100,373 | | 100,373 |
| **TOTAL ASSETS** | | **53,566,039** | | **53,566,039** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | | |
| **LIABILITIES** | | | | |
| Accrued expenses and other current liabilities | | 871,662 | | 871,662 |
| Accrued Zakat | | 1,069,539 | | 1,069,539 |
| Employees' post employment benefits | | 601,630 | 365,314 | 966,944 |
| **TOTAL LIABILITIES** | | **2,542,831** | | **2,908,145** |
| **SHARE HOLDER'S EQUITY** | | | | |
| Share Capital | | 50,000,000 | | 50,000,000 |
| Statutory reserve | | 887,129 | | 887,129 |
| Retained earnings | | 818,225 | 1,978,642 | 2,796,867 |
| Fair value reserve | | (682,146) | (2,341,524) | (3,023,670) |
| Actuarial gain / (loss) | | - | (2,432) | (2,432) |
| **Total shareholder's equity** | | **51,023,208** | | **50,657,894** |
| **Total liabilities and shareholder's equity** | | **53,566,039** | - | **53,566,039** |

## 3 FIRST-TIME ADOPTION OF IFRS (Continued)

***3-B The reconciliation of total comprehensive income of the Company for the year ended 31 December 2017***

**STATEMENT OF COMPREHENSIVE INCOME**

| | Notes | SOCPA 31-Dec-17 SAR | Effect of transition to IFRS SAR | IFRS 31-Dec-17 SAR |
|---|---|---|---|---|
| **INCOME** | | | | |
| Arrangement fee | | 6,383,831 | | 6,383,831 |
| Asset management fee | | 3,061,983 | | 3,061,983 |
| Custody fee | | 986,460 | | 986,460 |
| Loss from proprietary investments, net | | (325,758) | | (325,758) |
| | | | | 0 |
| **TOTAL INCOME** | | **10,106,516** | | **10,106,516** |
| **EXPENSES** | | | | |
| General and administrative expenses | 3.2 | (10,871,704) | (146,846) | (11,018,550) |
| Impairment loss against available for sale investments | 3.1 | (577,179) | 577,179 | - |
| **TOTAL EXPENSES** | | **(11,448,883)** | | **(11,018,550)** |
| **LOSS BEFORE ZAKAT** | | **(1,342,367)** | | **(912,034)** |
| Zakat | | (1,073,051) | | (1,073,051) |
| **NET LOSS FOR THE YEAR** | | **(2,415,418)** | | **(1,985,085)** |
| **Attributable to:** | | | | |
| Equity holder for the parent | | (2,361,719) | 430,333 | (1,931,386) |
| Subsidiary equity obligations – net | | (53,699) | | (53,699) |
| | | **(2,415,418)** | | **(1,985,085)** |
| **Other comprehensive income** | | | | |
| Revaluation of FVTOCI (Gain) loss | | - | (1,184,325) | (1,184,325) |
| Actuarial gain | 3.2 | - | (2,432) | (2,432) |
| **Total other comprehensive income** | | - | | (1,186,757) |
| Total comprehensive income for the year | | **(2,415,418)** | | **(3,118,143)** |

## 3 FIRST-TIME ADOPTION OF IFRS (continued)

### 3-C STATEMENT OF CHANGES IN EQUITY

Reconciliation of equity as at 1 January 2017:

| | Note | Share capital SAR | Statutory Reserve SAR | Retained earnings SAR | Unrealized gain on available-for-sale investments SAR | Total SAR |
|---|---|---|---|---|---|---|
| **Balance as per SOCPA** | | 50,000,000 | 887,129 | 3,179,944 | (75,000) | 53,992,073 |
| *IFRS adoption adjustments:* | | | | | | |
| Reclassification of impairment in Impairment of investments measured at FVOCI to OCI | 3.1.2 | - | - | 1,764,345 | (1,764,345) | - |
| Other adjustments | | - | - | (216,036) | | (216,036) |
| **Balance as per IFRS** | | **50,000,000** | **887,129** | **4,728,253** | **(1,839,345)** | **53,776,037** |

Reconciliation of equity as at 31 December 2017:

| | Note | Share capital SAR | Statutory Reserve SAR | Retained earnings SAR | Actuarial gain and losses reserves SAR | Unrealized gain on available-for-sale investments SAR | Total SAR |
|---|---|---|---|---|---|---|---|
| **Balance as per SOCPA** | | 50,000,000 | 887,129 | 818,225 | - | (682,146) | 51,023,208 |
| *IFRS adoption adjustments:* | | | | | | | |
| -Reclassification of impairment in Impairment of investments measured at FVOCI to OCI | 3.1.2 | - | - | 2,341,524 | - | (2,341,524) | - |
| Adjustment to employees cost | | - | - | (362,882) | - | - | (362,881) |
| Actuarial loss | | - | - | - | (2,432) | - | (2,433) |
| **Balance as per IFRS** | | **50,000,000** | **887,129** | **2,796,867** | **(2,432)** | **(3,023,670)** | **50,657,894** |

## 3 FIRST-TIME ADOPTION OF IFRS (Continued)

### 3-D IFRS Adoption Adjustment

***3.1 Financial instruments:***

The Company has adopted IFRS 9 '*Financial Instruments*' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2017, which resulted in changes as follows:

3.1.1 Reclassification of equity investments previously classified in Available for sale securities (Investment measured in FVOCI under IFRS) into held for trading investments (Investment measured in FVIS under IFRS).

3.1.2 Reclassification of unrealized losses (related to the investments in 3.1.1) due to changing the investment classification into Investment measured at FVIS.

3.1.3 Reclassification of equity investments previously classified in Available for sale securities (Investment measured in FVOCI under IFRS) into held for trading investments (Investment measured in FVIS under IFRS).

3.1.4 Reclassification of unrealized gain (related to the investments in 3.1.3) due to changing the investment classification into Investment measured at FVIS.

***3.2 Actuarial Valuation***

Under SOCPA Standards, the Company recorded its liability under Employee Benefit based on regulatory requirements. In order to determine the liability under IFRS, the Company performed detailed actuarial valuation of its Employee Benefits. Consequently, reduction of expense for the year has been reversed from profit or loss for the year. The impact arising from the change is summarized as follows:

| | **31 December 2017** | 1 January 2017 |
|---|---|---|
| End of service benefits | | - |
| Increase in liability – Current year (3.2.1) | 149,278 | 216,036 |
| Adjusted to income statements / retained earning | **149,278** | **216,036** |

| | |
|---|---|
| Past service cost (3.2.1) | 216,036 |
| Net impact of service and Interest cost and charged to the profit and loss for the year ended December 31, 2017 | 328,061 |
| Auctorial Gain | 2,433 |
| Impact balance (3.2.2) | **546,530** |

3.2.1 The increase in the provision for employee benefits is after the actuarial valuation of past service cost.

3.2.2 Represent the cumulative impact to the provision for employee benefits.

## 4. CASH AND BANK BALANCE

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Murabaha placements | 33,000,000 | 17,500,000 | 14,000,000 |
| Bank balances | 3,226,976 | 17,602,936 | 19,006,875 |
| Cash on hand | - | 5,000 | - |
| | **36,226,976** | 35,107,936 | 33,006,875 |

## 5. INVESTMENTS MEASURED AT FVIS

| | **31 December 2018** | | 31 December 2017 | | 1 January 2017 | |
|---|---|---|---|---|---|---|
| | **Cost** | **Market value** | Cost | Market value | Cost | Market value |
| Listed equity shares | **501,200** | **256,304** | 501,200 | 422,378 | 7,126,522 | 9,341,360 |

## 6. ACCOUNTS RECEIVABLE

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Arranging activity | 1,169,609 | 4,127,839 | 83,433 |
| Asset management activity | 964,039 | 686,387 | 294,158 |
| Others | - | 6,710 | 25,000 |
| | **2,133,648** | **4,820,936** | **402,591** |

## 7. PREPAYMENT AND OTHER CURRNT ASSETS

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Prepayments from fund establishment activities | **325,220** | 288,099 | 1,453,128 |
| Advances paid to employees | **85,841** | 188,703 | 49,628 |
| Prepayments | **240,862** | 154,654 | 240,796 |
| Accrued income on murabaha placements | **185,625** | 53,715 | 13,883 |
| Others | **91,534** | 68,882 | - |
| | **929,082** | 754,053 | 1,757,435 |

## 8. RELATED PARTIES' TRANSACTIONS AND BALANCES

Related parties represent subsidiary company, funds managed by the Company, shareholders, key personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. During the year, the Company entered into transactions in the ordinary course of business with its related parties. These transactions were entered into on terms and prices mutually agreed among the respective parties. The following are the major related parties' transactions of the Company that occurred during the year

| *Entity* | *Nature of transactions* | *Amounts of transactions* | |
|---|---|---|---|
| | | **31 December 2018** | 31 December 2017 |
| Riyadh Logistic City fund | Management fee | **12,778,254** | - |
| NOMW Private Equity Fund | Management fee | **792,603** | - |
| | Structuring fees | **200,000** | - |
| NOMW Eskan Real Estate Fund | Management fee | **2,560,105** | 2,993,233 |
| | Custody fee | **-** | 399,098 |
| NOMW IPO Fund | Management fee | **-** | 263,223 |
| | Custody fee | **-** | 43,871 |
| Board of directors ("BOD") | Remuneration | **1,990,092** | 1,970,391 |
| | Meeting fee | **115,000** | 42,000 |

**Amounts due from related parties are as follows:**

| | 31 December 2018 | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Nomw private Equity fund | **787,500** | - | - |
| RLCF management fees | **13,085,107** | - | - |
| NOMW Eskan Real Estate Fund | **1,833,556** | 2,226,131 | 2,360,392 |
| | **15,706,163** | 2,226,131 | 2,360,392 |

## 9. INVESTMENTS MEASURED AT FVOCI

| | **31 December 2018** | | 31 December 2017 | | 1 January 2017 | |
|---|---|---|---|---|---|---|
| | **Cost** | **Market value** | **Cost** | **Market value** | **Cost** | **Market value** |
| Listed shares | **3,157,902** | **800,380** | 3,157,902 | 816,378 | 3,157,902 | 1,243,057 |
| Fund | **10,000,000** | **8,057,604** | 10,000,000 | 9,317,854 | 10,000,000 | 10,075,500 |
| | **13,157,902** | **8,857,984** | 13,157,902 | 10,134,232 | 13,157,902 | 11,318,557 |

## 10. PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

| | |
|---|---|
| Leasehold improvements | 2 years |
| Computers, equipment and software | 3 years |
| Furniture and fixtures | 3 years |
| Motor vehicles | 5 years |

| | **Leasehold improvements** SR | **Computers, equipment and software** SR | **Furniture and fixtures** SR | **Motor vehicles** SR | **Total 2018** SR | **Total 2017** SR |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| At the beginning of the year | 382,725 | 311,002 | 234,070 | 174,900 | **1,102,697** | **1,096,747** |
| Additions during the year | - | 19,858 | - | - | **19,858** | **5,950** |
| At the end of the year | 382,725 | 330,860 | 234,070 | 174,900 | **1,122,555** | **1,102,697** |
| Accumulated depreciation: | | | | | | |
| At the beginning of the year | 382,725 | 288,649 | 226,585 | 104,365 | **1,002,324** | **849,785** |
| Depreciation charge for the year | - | 22,939 | 5,683 | 34,980 | **63,602** | **152,539** |
| At the end of the year | 382,725 | 311,588 | 232,268 | 139,345 | **1,065,926** | **1,002,324** |
| Net book value: | | | | | | |
| **At 31 December 2018** | - | **19,272** | **1,802** | **35,555** | **56,629** | |
| At 31 December 2017 | - | **22,353** | **7,485** | **70,535** | | **100,373** |

## 10. PROPERTY AND EQUIPMENT (continued)

| | **Leasehold improvements** | **Computers, equipment and software** | **Furniture and fixtures** | **Motor vehicles** | **Total 2017** | Total 2016 |
|---|---|---|---|---|---|---|
| | SR | SR | SR | SR | **SR** | SR |
| Cost: | | | | | | |
| At the beginning of the year | 382,725 | 309,252 | 229,870 | 174,900 | **1,096,747** | 1,068,597 |
| Additions during the year | - | 1,750 | 4,200 | - | **5,950** | 28,150 |
| At the end of the year | 382,725 | 311,002 | 234,070 | 174,900 | **1,102,697** | 1,096,747 |
| Accumulated depreciation: | | | | | | |
| At the beginning of the year | 366,162 | 226,190 | 188,048 | 69,385 | **849,785** | 527,724 |
| Depreciation charge for the year | 16,563 | 62,459 | 38,537 | 34,980 | **152,539** | 322,061 |
| At the end of the year | 382,725 | 288,649 | 226,585 | 104,365 | **1,002,324** | 849,785 |
| Net book value: | | | | | | |
| **At 31 December 2017** | - | **22,353** | **7,485** | **70,535** | **100,373** | |
| At 31 December 2016 | 16,563 | 83,062 | 41,822 | 105,515 | | 246,962 |

## 11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | **31 December 2018** | 31 December 2017 | 1 January 2017 |
|---|---|---|---|
| Accrued staff bonus | **1,900,000** | - | - |
| Accrued expenses | **1,077,767** | 871,662 | 628,760 |
| | **2,977,767** | 871,662 | 628,760 |

## 12. ACCRUED ZAKAT

**The principal elements of the zakat base are as follows:**

| | **31 December 2018** | *31 December 2017* |
|---|---|---|
| Shareholder equity | **51,340,040** | 54,067,073 |
| Opening balance of provisions and other adjustments | **880,156** | 410,816 |
| Book value of long term assets | **(10,873,007)** | (10,829,393) |
| | **41,347,189** | 43,648,496 |
| Adjusted profit (loss) for the year | **11,475,332** | (867,020) |
| Zakat base | **52,822,521** | 42,781,476 |
| Zakat charge for the year @ 2.5% | **1,320,563** | 1,069,537 |

Zakat is calculated on the higher of the zakat base or adjusted income (loss) for the year.

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| At the beginning of the year | **1,069,539** | 1,349,280 |
| Charge for the year | **1,320,563** | 1,069,537 |
| Adjustment to prior year zakat | **35,384** | 3,514 |
| Payments during the year | **(1,104,923)** | (1,352,792) |
| At the end of the year | **1,320,563** | 1,069,539 |

**Status of assessments**

Zakat returns for the years ended 31 December 2015, 2016 and 2017 have been submitted to General Authority of Zakat and Tax (the "GAZT"). The related assessments have not yet been raised by the GAZT. The Company's management is in process of submitting its 2018 return.

## 13. EMPLOYEES' POST EMPLOYMENT BENEFIT

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Present value of employees' post-employment benefits | **866,242** | 966,944 |

The major financial assumptions used to calculate the employees' post-employment benefits liabilities are as follows:

Principal actuarial assumptions

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Discount rate | **4.75%** | 3.60% |
| General salary increase | **4.75%** | 3.60% |

The movements in employees' post-employment benefits recognized in the statement of financial position are as follows:

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Net liability at the beginning of the year | **966,944** | 636,452 |
| Current service and interest cost | **365,975** | 328,060 |
| Benefits paid during the year | **(86,788)** | - |
| Actuarial losses recognized during the year | **(379,889)** | 2,432 |
| Net liability at the end of the year | **866,242** | 966,944 |

The amounts recognized in the statement of income in respect of employees' post-employment benefits are as follows:

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Employer's current service and interest cost | **365,975** | 328,060 |

The sensitivity of the employees' post-employment benefit to changes in the weighted principal assumptions is:

| | **Change in assumption** | **Increase / (decrease) in present value of employees' post-employment benefit liability** | |
|---|---|---|---|
| | | **Amount** | **%** |
| Discount rate | +0.5% | 817,761 | -5.60% |
| | -0.5% | 918,751 | 6.06% |
| Salary growth rate | +0.5% | 900,515 | 3.96% |
| | -0.5% | 833,807 | -3.74% |

## 14. SHARE CAPITAL

As at 31 December 2018, the Company's paid-up capital of SAR 50 million was divided into 5 million parts of SAR 10 each.

## 15. STATUTORY RESERVE

In accordance with the Company's By-Laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer at least 10% of its net income each year to statutory reserve until such reserve equals to 30% of its share capital. This reserve is not available for distribution to the shareholders.

## 16. INCOME / (LOSS) FROM PROPRIETARY INVESTMENTS, NET

| | **31 December 2018** | 31 December 2017 |
|---|---|---|
| Dividend income | **21,380** | 174,776 |
| Special commission income | **386,812** | 134,470 |
| Unrealised loss on held for trading investments | **(166,074)** | (151,082) |
| Realised gain (loss) on FVOCI, net | **1,728** | (490,333) |
| Other income | **96,000** | 6,411 |
| | **339,846** | (325,758) |

## 17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

| | **For the year ended 31 December 2018** | For the year ended 31 December 2017 |
|---|---|---|
| Salaries and wages | **8,179,624** | 5,720,299 |
| Professional fees | **885,943** | 3,669,363 |
| Rent | **298,400** | 298,400 |
| Licensing an sub subscription fee | **250,850** | 251,656 |
| Marketing and advertising | **220,000** | 180,000 |
| Depreciation | **63,602** | 152,539 |
| Travel | **96,223** | 89,421 |
| Insurance | **72,852** | 83,362 |
| Utilities and office | **95,747** | 82,852 |
| printing and stationary | **23,694** | 45,559 |
| Others | **135,132** | 445,099 |
| | **10,322,067** | 11,018,550 |

## 18. ASSETS HELD UNDER FIDUCIARY CAPACITY

Pursuant to CMA's Authorized Persons Regulations requiring Client money segregation, the Company holds clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities. As at 31 December 2018, the clients' cash accounts held by the Company amounted to SR 10.2 million (31 December 2017: SR 24.4 million). Consistent with the Company's accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 19.1 Financial risk factors

The objective of the Company is to safeguard the Company's ability to continue as a going concern so that it can continue to provide optimum returns to its Unit Holders and to ensure reasonable safety to the Unit Holders.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Company Manager is responsible for identifying and controlling risks. The Company Board supervises the Company Manager and is ultimately responsible for the overall management of the Company.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Company Board. The Company has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The financial instruments of the Company are denominated in Saudi Riyals and United States Dollar (USD). The Saudi Riyal is pegged against USD and hence.

The Company's transactions are principally in SAR and exposures in foreign currencies are not significant therefore there is no significant currency risk.

*(ii) Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Company does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

The Company is not exposed to fair value commission rate risk as the financial instruments of the Company are measured at amortised cost.

## 19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ( Continued)

### 19.1 Financial risk factors (Continued)

*(iii) Price risk*

Price risk is the risk that the value of the Company's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and profit rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Company holds. The Company diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, The Company has equity investments in Investee Funds.

| | **31 December 2018** | | **31 December 2017** | |
|---|---|---|---|---|
| | Potential reasonable change % | Effect on equity | Potential reasonable change % | Effect on equity |
| Fund | **1%** | **80,756.04** | **1%** | 93,178.54 |
| Listed equity shares | **1%** | **10,566.83** | **1%** | 12,387.56 |

### (b) Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk for its investment portfolio, receivables and bank balances.

Its Company's policy to enter into financial instrument contracts with reputable counterparties. The Company seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

### (c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Financial assets of the Company as at period-end mainly included balances with bank and investments measure at FVIS and investments measured at FVOCI which can be utilized to meet changing liquidity requirements. Management monitors forecasted cash flow on a regular basis and ensures that positive cash flows from operating activities are maintained to fund the Company's future commitments.

### 19.2 Fair value estimation

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortised cost are assumed to approximate their fair values.

## 19. 1FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ( Continued)

### 19.2 Fair value estimation (Continued)

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the financial instruments at their fair values as of 31 December 2018 based on the fair value hierarchy:

| | 31 December 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Fund | - | 8,057,604 | - | 8,057,604 |
| Listed equity shares | 1,056,684 | - | - | 1,056,684 |
| Total | **1,056,684** | **8,057,604** | **-** | **9,114,288** |

Level 2 investments consist of local mutual funds managed by the Company. The Company uses net assets valuation ("NAV") based on most recently published NAVs by the respective mutual funds to fair value these investments.

## 20 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

### 20.1 IFRS 16 Leases

IFRS 16 is issued in January 2017 that requires lessees to account for all leases (subject to certain exemptions) under a single on balance sheet model (i.e., in a manner comparable to finance leases under IAS 17). Lessees would recognize a liability to pay rentals with a corresponding asset, and would separately recognize interest expense and amortization. The standard includes two recognition and measurement exemptions for lessees:

- leases of low-value assets (e.g. small printer;) and
- short-term leases (i.e. leases with a lease term of 12 months or less).

The new standard also requires reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee upon certain events. Lessor accounting would be essentially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The management of the Company as at the approval of these financial statements are assessing the impact of adopting this standard.

## 21. REGULATORY CAPITAL REQUIREMENT AND CAPITAL ADEQUACY RATIO

The Capital Market Authority (the "CMA") has issued Prudential Rules (the "Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, the CMA has prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology as prescribed under these Rules. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

| (amount in '000) | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Capital Base:** | | |
| Tier 1 capital | **58,459** | 50,872 |
| Tier 2 capital | **-** | - |
| **Total Capital Base** | **58,459** | 50,872 |
| | | |
| **Minimum Capital Required:** | | |
| Credit risk | **12,528** | 7,953 |
| Operational risk | **2,581** | 2,862 |
| Market risk | **46** | 76 |
| **Total Minimum Capital Required** | **15,155** | 10,891 |
| | | |
| **Capital Adequacy Ratio:** | | |
| Surplus in Capital | **43,304** | 39,981 |
| **Capital Adequacy Ratio (times)** | **3.86** | 4.67 |

## 22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on 27 Jumada al Alkhir 1440 (corresponding to 4 March 2019).