AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

Al Khair Capital Saudi Arabia Company
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Khair Capital Saudi Arabia Company ("the Company") and its subsidiary (collectively reffered to as "the Group") as of December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Orgainization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as of December 31, 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended; and
- the consolidated statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We 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 Group 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 consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the KSA, and other standards and proouncements issued by SOCPA 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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Independent auditors' report to the shareholders of Al Khair Capital Saudi Arabia Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471

March 24, 2019

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Assets				
Current assets				
Cash and cash equivalents	4	**840,079**	13,312,078	34,102,445
Accounts receivable, prepayments and other current assets	5	**25,118,313**	30,367,785	32,661,556
Receivable against margin lending	6	**13,788,954**	-	-
		39,747,346	43,679,863	66,764,001
Non-current assets				
Intangible assets	8	**381,397**	865,698	859,694
Property and equipment, net	9	**1,756,311**	4,225,054	1,828,205
Investment in associate	10	**9,711,170**	-	-
Investments in financial assets	11	**118,344,466**	103,857,138	48,101,213
Investment properties, net	12	**133,974,355**	137,461,583	140,953,785
		264,167,699	246,409,473	191,742,897
Total assets		**303,915,045**	290,089,336	258,506,898
Liabilities and shareholders' equity				
Liabilities				
Current liabilities				
Accrued expenses and other liabilities	13	**1,789,662**	5,049,903	7,946,400
Short term borrowing	14	**-**	15,000,000	-
Provision for zakat and income tax	15	**12,508,174**	12,874,729	13,730,841
		14,297,836	32,924,632	21,677,241
Non-current liability				
Employees' termination benefits	16	**4,920,805**	3,616,869	1,865,341
Total liabilities		**19,218,641**	36,541,501	23,542,582
Shareholders' equity				
Share capital	17	**300,000,000**	300,000,000	300,000,000
Other reserves		**281,986**	778,934	750,637
Accumulated losses		**(15,585,582)**	(47,231,099)	(65,786,321)
		284,696,404	253,547,835	234,964,316
Total liabilities and shareholders' equity		**303,915,045**	290,089,336	258,506,898

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2018	2017
Operating income			
Income from assets managed and held under fiduciary capacity	19	**53,204,116**	36,481,432
Rental income from investment properties	12	**9,084,000**	9,084,000
Advisory fee		**8,059,769**	11,479,861
Profit on sukuk		**2,209,217**	435,507
Brokerage		**1,512,769**	5,458,309
Income from short term murabaha placements		**1,154,555**	-
Income from margin lending		**208,906**	-
Custody fee		**128,016**	29,084
Realized gain on available-for-sale investments, net	11	**-**	2,203,087
Total operating income		**75,561,348**	65,171,280
Operating expenses			
Salaries and employee-related expenses		**(33,402,391)**	(31,047,198)
General and administrative expenses	20	**(8,939,796)**	(7,751,672)
Depreciation and amortization	8, 9, 12	**(5,799,550)**	(5,251,685)
Rental and premises related expenses		**(1,986,846)**	(1,539,694)
Total operating expenses		**(50,128,583)**	(45,590,249)
Income from operations		**25,432,765**	19,581,031
Other income/(loss)			
Share of results of associate		**517,710**	-
Loss on sale of property and equipment		**-**	(195,671)
Other income		**34,000**	-
Net income for the year before zakat and income tax		**25,984,475**	19,385,360
Zakat	15	**(851,596)**	(801,648)
Income tax	15	**(46,907)**	(28,490)
Net income for the year		**25,085,972**	18,555,222
Basic and diluted earnings per share attributable to shareholders of the Company based on:	21		
- Income from operations		**0.85**	0.65
- Net income for the year		**0.84**	0.62
- Weighted average number of shares in share for the year		**30,000,000**	30,000,000

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2018	2017
Net income for the year		**25,085,972**	18,555,222
Other comprehensive income			
Items that may be reclassified subsequently to the consolidated income statement:			
- Changes in fair value of available-for-sale investments	11	-	28,297
Items that will not be reclassified subsequently to the consolidated income statement:			
- Changes in fair value of financial assets at FVOCI	11	**(496,948)**	-
- Realised gain on disposal of financial assets at FVOCI	11	**6,559,545**	-
Other comprehensive income for the year		**6,062,597**	28,297
Total comprehensive income for the year		**31,148,569**	18,583,519

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Other reserves	Accumulated losses	Total
January 1, 2017	300,000,000	750,637	(65,786,321)	234,964,316
Net income for the year	-	-	18,555,222	18,555,222
Other comprehensive income for the year	-	28,297	-	28,297
Total comprehensive income for the year	-	28,297	18,555,222	18,583,519
Impact of adopting IFRS at December 31, 2017 (note 3)	-	-	-	-
December 31, 2017	300,000,000	778,934	(47,231,099)	253,547,835
Impact of adopting IFRS 9 at January 1, 2018 (note 3)	-	-	-	-
Net income for the year	-	-	**25,085,972**	**25,085,972**
Other comprehensive income for the year	-	**6,062,597**	-	**6,062,597**
Total comprehensive income for the year	-	**6,062,597**	**25,085,972**	**31,148,569**
Realised gain on disposal of financial assets at FVOCI		**(6,559,545)**	**6,559,545**	-
December 31, 2018	**300,000,000**	**281,986**	**(15,585,582)**	**284,696,404**

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

AL KHAIR CAPITAL SAUDI ARABIA COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2018	2017
Cash flows from operating activities:			
Net income for the year before zakat and income tax		**25,984,475**	19,385,360
Adjustments for non-cash items:			
Depreciation and amortization	8,9,12	**5,799,550**	5,251,685
Provision for doubtful debts	5, 20	**780,000**	1,230,000
Provision for employees' termination benefits	16	**2,117,290**	1,814,515
Loss on sale of property and equipment		**-**	195,671
Share of results of associate		**(517,710)**	-
Changes in working capital:			
Accounts receivable, prepayments and other current assets		**5,249,472**	(5,831,542)
Receivable against margin lending		**(13,788,954)**	-
Accrued expenses and other liabilities		**(3,260,241)**	3,998,816
Employees' termination benefits paid	16	**(490,241)**	(62,987)
Zakat and income tax paid	15	**(1,246,272)**	(1,686,250)
Net cash generated from operating activities		**20,627,369**	24,295,268
Cash flows from investing activities:			
Net purchases of investments in financial assets	11	**(46,267,071)**	(55,727,628)
Purchase of property and equipment and intangible assets	8, 9	**(1,519,145)**	(4,577,663)
Proceeds from sale of property and equipment		**-**	219,656
Net cash used in investing activities		**(47,786,216)**	(60,085,635)
Cash flows from financing activities:			
Short term borrowing		**(15,000,000)**	15,000,000
Proceeds from disposal of subsidiary		**29,686,848**	-
Net cash generated from financing activities		**14,686,848**	15,000,000
Net decrease in cash and cash equivalents		**(12,471,999)**	(20,790,367)
Cash and cash equivalents at the beginning of the year		**13,312,078**	34,102,445
Cash and cash equivalents at the end of the year		**840,079**	13,312,078
Supplemental non-cash information:			
Changes in fair value of financial assets at FVOCI		**(496,948)**	-
Changes in fair value of available-for-sale investments		**-**	28,297

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Al Khair Capital Saudi Arabia Company (the "Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration No. 1010264915 issued in Riyadh on Rabi Al Awal 27, 1430H (corresponding to March 24, 2009) and under license No. 08120-37 issued by the Capital Market Authority's ("CMA") Resolution No. 2008-35-4 dated Dhul Quaddah 7, 1429H (corresponding to November 5, 2008).

The principal activities of the Company are to act as an agent, principal, underwriter and to provide arranging and advisory services. The Company's activities also include establishment and management of funds and investment portfolios including real estate.

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

Al Khair Capital Saudi Arabia Company
King Abdul Aziz Road
P.O.Box 69410
Riyadh 11547, Kingdom of Saudi Arabia

Bank Al Khair BSC ("the Parent Company"), a Joint Stock Company registered in Bahrain, owns 53.33% of the Company's share capital.

The accompanying consolidated financial statements include the consolidated financial statements of the Company and its subsidiary (collectively refered to as "the Group") as follows:

Subsidiaries	Country of Incorporation	Ownership%
Al Khair Capital Real Estate Fund LLC.	Kingdom of Saudi Arabia	100%

Al Khair Capital Real Estate Fund LLC ("ACREF") is a limited liability company, registered under commercial registration No. 1010325452 dated 21 Safar 1433H (corresponding to January 15, 2012) in the Kingdom of Saudi Arabia, and is wholly owned by the Company through direct and beneficial ownership. The Company owns 95% of ACREF's share capital and the remaining 5% is owned by one of the members of the Company's Board of Directors on behalf of the Company. The principal activity of ACREF is the management of real estate funds, however, ACREF has not commenced commercial operations as of December 31, 2018.

Al Khair Capital (Dubai) Ltd ("ACD"), is a limited liability company, registered under commercial registration No. 1552 dated 12 Jaumada Al-awwal 1435H (corresponding to March 13, 2014) in the Dubai International Financial Centre, United Arab Emirates. The principal activities of ACD are to provide arranging and advisory services and also to manage assets and collective investment fund.

The Group owned 100% shareholding in ACD since its inception, however in December 2018, the Group partially disposed of its investments in ACD, causing the shareholding to decrease to 33.34% and thus resulting in loss of control over ACD. ACD is now accounted for as investment in an associate using equity method of accounting.

The accompanying consolidated financial statements were approved by the Board of Directors of the Company on March 24, 2019.

2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. Wherever policies are applicable only after or before January 1, 2018, those policies have been particularly specified.

2.1 Basis of preparation

(i) Statement of Compliance

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

For all periods up to and including the year ended December 31, 2017, the Group prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the SOCPA ("previous GAAP") and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the financial statements. SOCPA's Board of Directors in their meeting held on Thursday, July 18, 2013, (corresponding to Ramadan 10, 1434H), agreed to apply IFRS, after being endorsed by SOCPA, all at once. The required date for application for all entities (other than listed entities) is the financial periods starting from January 1, 2018.

These are the Group's first annual financial statements prepared in accordance IFRS 1 *First-time Adoption of International Financial Reporting Standards.* In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared as at January 1, 2017 i.e. the Group's date of transition to IFRS. An explanation of how the transition to IFRSs has affected the reported consolidated statements of financial position, income statement and cash flows of the Group is provided in Note 3.

(ii) Basis of measurement

These consolidated financial statements have been prepared:

- under the historical cost convention except for:
    - fair valuation of investments at fair value through other comprehensive income (FVOCI) or at fair value through income statement (FVIS).
    - end of service benefits carried at present value using actuarial valuation.
- using the accrual basis of accounting.

(iii) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Group.

(iv) Consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiary as set out in note 1 to these consolidated financial statement. The financial statements of the subsidiary are prepared for the same reporting period as that of the Company, using consistent accounting policies. Significant intra group balances and transactions if any, are eliminated upon consolidation.

Subsidiaries are the entities that are controlled by the Group. The Group controls an entity when it is exposed to, or has a right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over that entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group.

The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. Specifically, the Group controls an entity if and only if the Group has:

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

The Group offers certain investment management and advisory services to its customers. These services include portfolio management on discretionary and non-discretionary basis and management of investment funds. Determining whether the Group controls such an investment fund usually depends on the assessment of the aggregate economic interests of the Group in the fund and the investor's right to remove the fund manager. Based on the assessment carried out by the Group, it has been concluded that it acts as an agent for the investors in all cases and therefore it has not consolidated these investment funds in these consolidated financial statements.

2.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

a) Useful life, residual value and impairment of property and equipment
b) Employees' termination benefits
c) Impairment of financial assets

2.3 Foreign currency translation

(a) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(b) Group companies

The results and financial position of foreign subsidiaries and associates, if any, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

(i) Assets and liabilities for each statement of financial positon presented are translated at the closing exchange rate at the date of that statement of financial position;
(ii) Income and expenses for each income statement are translated at average exchange rates; and
(iii) Components of the equity accounts, except retained earnings, are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates, if any, into Saudi Riyals, if material, are reported as a separate component of equity.

Dividends received from an associate, if any, are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

When investment in a foreign subsidiary or an associate, if any, is partially disposed-off or sold, currency translation differences that were recorded in equity are recognized in consolidated income statement as part of gain or loss on disposal or sale.

2.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank and other short-term highly liquid investments, if any, with original maturities of three months or less from the acquisition date, which are available to the Group without any restrictions.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

2.5 Financial Instruments

(i) Initial recognition

Accounting policy under IFRS
Initial recognition and measurement of financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group records investments on a 'trade date' basis.

At initial recognition, the Group 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 income statement, 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 income statement are expensed in the consolidated statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment charge being recognised in the consolidated statement of income when an asset is newly originated.

(ii) Classification and measurement of financial assets

On initial recognition, the Group classifies its financial assets in the following measurement categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through income statement (FVIS)

Financial assets at amortized cost

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

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

Financial assets at FVOCI

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

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains or losses are recognised in consolidated statement of income.

Optional FVOCI designation for qualifying investments in equity instruments

At initial recognition the Group at its sole option may irrevocably designate an investment in an equity instrument as FVOCI, unless the asset is:

- Held for trading, or
- Contingent consideration in a business combination.

Under this option, only qualifying dividends are recognized in consolidated statement of income. Changes in fair value are recognized in OCI and never reclassified to consolidated statement of income, even if the asset is impaired, sold or otherwise derecognized.

Financial assets at FVIS

All other financial assets are classified as measured at FVIS. This may include equity held for trading and debt securities not classified either as AC or FVOCI.

In addition, on initial recognition, the Group may also irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI, as at FVIS if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

On transition to IFRS 9, the Group has implemented the following classifications for its financial assets and liabilities:

Categories of financial assets and liabilities	Earlier classification under existing GAAP	IFRS 9 Classification
Cash and cash equivalents	Loans and receivables	Amortised cost
Accounts receivables, net	Loans and receivables	Amortised cost
Investments	Available for sale	Fair value through other comprehensive income
Investments	Available for sale	Fair value through income statement
Investments	Held to Maturity	Amortised cost
Investments	Held for trading	Fair value through income statement
Accrued expenses and other liabilities	Amortised cost	Amortised cost
Short term borrowing	Amortised cost	Amortised cost

(iii) Business model assessment

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

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

2.6 Fair value measurement

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

2.7 Impairment of financial assets

Policy applicable under IFRS

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost.

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.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as accounts receivable, receivables against margin lending and bank balances have low credit risk and the impact of applying ECL is considered insignificant by the Group due to lack of no history of default.

Policy applicable under SOCPA

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated income statement. Impairment is determined as follows:

(i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated income statement;
(ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(iii) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective special commission rate.

2.8 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognized if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Group has not retained control of the financial asset. The Group recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

2.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset and reported net in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

2.11 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts, if any. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated income statement and reported under "General and administrative expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "General and administrative expenses" in the consolidated income statement.

2.12 Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged to the consolidated income statement, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Furniture and fixtures	8
Office equipment	3
Vehicles	5
Computer hardware	3-10

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including normal repair and maintenance, are recognized in the consolidated income statement as and when incurred.

2.13 Intangible assets

Intangible assets mainly comprise computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized in consolidated income statement on a straight-line basis over the estimated useful life of the software which is 3 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization method, useful lives and residual values are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Subsequent expenditures on software assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed in the consolidated income statement as and when incurred.

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

2.14 Investment properties

Investment property (land or building and/or part of a building) is property held to earn rentals or for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and / or for undetermined use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation (except for land which is carried at cost), net of impairment losses (if any). Depreciation is charged to the consolidated income statement, using straight-line method to allocate the costs of the related assets to their residual values over their estimated useful lives which is 33 years. The Group follows cost model of IAS 40 for subsequent measurement of investment properties. For the purpose of computing impairment losses, at each reporting period an evaluation is conducted of investment properties at fair value, which reflects market conditions at the reporting date. Any impairment loss identified is recorded in the consolidated income statement. Fair values are determined based on an evaluation performed by an accredited external, independent valuer.

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

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

Policy applicable under SOCPA

Investment property (land or building and/or part of a building) is property held to earn rentals or for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and / or for undetermined use. Investment property is carried at cost less accumulated depreciation except for land which is carried at cost. Depreciation is charged to the consolidated income statement using straight-line method to allocate the costs of the related assets to their residual values over 33 years, the estimated useful lives of the properties.

Gains and losses from sales, if any, are determined by comparing proceeds with carrying amounts and are included in the consolidated income statement.

2.15 Revenue

The Group recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Group recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policies for the various revenue stream are as follow:

- Special commission income from income from assets managed and held under fiduciary capacity, profit on sukkuk, income from short term murabaha placements and margin lending is accrued on an effective yield basis;
- Advisory fee income is recognized when the services are rendered under the applicable service contracts. There are no multiple performance obligations and no corresponding asset or liability is recoreded against the fulfilment ot the obligation.
- Brokerage commission is recognized when the deal is executed and is recognized net of Tadawul commission and discounts allowed to customers. The performance obligation for the group is satisfied when the customer carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.
- Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("returns-based") subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group efforts to transfer the services for that period. As asset management fees are not subject to claw backs, the management does not expect any significant reversal of revenue previously recognised. The Group as a fund manager charges asset management fees to its Funds on account of management, administration, subscription and custody on the rates agreed under offer documents of each fund.
- Custodian fee income is recognized on an accrual basis.
- Dividend income is recognized when the right to receive dividend is established.
- Rental income on the investment property is recognised on the accrual basis over the lease term.

2.16 Assets managed and held under fiduciary capacity

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements and are treated as off-balance sheet items.

2.17 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- which are engaged in revenue producing activities;
- results of whose operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information for which is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.18 Employees' termination benefits

The Group provides end of service compensation to its employees in accordance with the provisions of the Labor Law applicable in the Kingdom of Saudi Arabia. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Provision is made annually based on an independent actuarial valuation, in accordance with the requirements of IAS 19 "Employee Benefits" using projected unit credit method. Upon adoption of IFRS's the Group has used actuarial methods to calculate the present value of obligation and charge for the year from the date of transition to IFRSs.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Remeasurement gains and losses arising from changes in actuarial assumptions are recognised in other comprehensive income and are included in retained earnings in the consolidated statement of changes in shareholders' equity and in the consolidated statement of financial position.

2.19 Zakat and income tax

Policy applicable under IFRS

Zakat and income taxes are presented in the consolidated statement of income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Under Saudi Arabian Zakat and Income tax laws, zakat and income taxes are the liabilities of the shareholder. Zakat is computed on the share of equity or net income attributable to Saudi shareholders of the parent company. Income taxes are computed on the share of net income for the year attributable to the foreign shareholders of the parent company.

The Group also withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Policy applicable under SOCPA

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholder. Zakat charge is computed on the zakat base prepared based on the consolidated financial statements of the Group and income tax is calculated based on taxable income of the Group. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Previously, zakat and income tax provision was charged to the retained earnings.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.20 Accrued expenses and other labilities

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

2.21 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.22 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement on a straight line basis over the term of the respective lease.

2.23 Contingent assets and liabilities

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be measured with reasonable reliability. Contingent assets are not recognized, but are disclosed where an inflow of economic benefits is probable.

2.24 Reclassification

Certain comparative amounts have been reclassified to conform to the current year presentation (Note 28).

(All amounts in Saudi Riyals unless otherwise stated)

3 First time adoption of International Financial Reporting Standards (IFRS)

The consolidated financial statements for the year ended December 31, 2018 are the first annual financial statements of the Group prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. For period ended December 31, 2017, the Group prepared its consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA.

Accordingly, the Group has prepared the consolidated financial statements that comply with IFRS as endorsed in the Kingdom of Saudi Arabia applicable as at December 31, 2018, together with the comparative periods as at January 1, 2017 and as at December 31, 2017. As a result of adoption of IFRS, there were no adjustments which were considered significant by the Group to restate its previous consolidated statements of financial positions as at January 1, 2017 and December 31, 2017 which had been prepared in accordance with the requirements of SOCPA.

Exemptions applied

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemption:

The Group has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of January 1, 2018, which resulted in immaterial adjustments to the amounts previously recognised in the consolidated financial statements. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures for prior periods with respect to classification and measurement requirements. Difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognized in retained earnings as at January 1, 2018 as amounts were not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current year. The assessment for the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at the date of transition.

Zakat and income tax

Under previous financial reporting framework, Zakat and income tax were presented in the consolidated statement of changes in shareholder's equity. Due to transition from SOCPA to IFRS, Zakat and income tax have been presented in consolidated income statement. The impact of deferred tax on adoption of IFRS is immaterial on the consolidated income statement and consolidated statement of financial position and has therefore not been accounted for in these consolidated financial statements.

The Group's liabilities, operating, investing and financing cash flows reported under SOCPA did not significantly differ from IFRS.

Estimates

The estimates at January 1, 2017 and at December 31, 2017 are consistent with those made for the same dates in accordance with SOCPA.

4 Cash and cash equivalents

	2018	**2017**
Cash in hand	**9,997**	4,856
Cash at banks	**830,082**	13,307,222
	840,079	13,312,078

(All amounts in Saudi Riyals unless otherwise stated)

5 Accounts receivable, prepayments and other current assets

	2018	2017
Accrued income from assets managed and held under fiduciary capacity	**12,333,393**	16,817,802
Accrued rental income	**4,542,000**	5,737,328
Accrued advisory fee	**3,120,015**	3,130,066
Due from a related party (Note 7.1)	**2,243,957**	272,500
Advances to employees	**1,673,559**	1,622,511
Prepayments	**382,250**	352,896
Brokerage fee receivable	**70,858**	556,551
Accrued income on Sukuk	-	409,448
Security deposits	-	344,815
Other	**2,762,281**	2,353,868
	27,128,313	31,597,785
Provision for doubtful debts	**(2,010,000)**	(1,230,000)
	25,118,313	30,367,785

Movement in provision for doubtful debts is as follows:

	2018	2017
Balance as at January 1	**1,230,000**	-
Charge for the year (Note 20)	**780,000**	1,230,000
Balance as at December 31	**2,010,000**	1,230,000

6 Receivable against margin lending

The Group extends margin lending facilities to its customers to invest in the Saudi stock exchange, international stock exchanges and investment funds. These facilities are extended up to a maximum period of one year and bear a floating special commission rate based on SIBOR plus a credit margin. As at December 31, 2018 the Group has extended margin lending facilities amounting to Saudi Riyals 13.8 million (2017: Nil).

7 Related party matters

In the ordinary course of its activities, the Group transacts business with related parties. Related parties include Bank Alkhair BSC (the parent), subsidiaries, associate and affiliated companies; funds managed by the Group; the Board of Directors; and key management personnel. Key management personnel are those persons, including a non-executive director, having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Group.

	Note	2018	2017
7.1 Significant related party balances			
Due from AlKhair Capital Dubai Ltd	5	**2,243,957**	-
(Due to) / due from Bank Al Khair BSC	5, 13	**(21,615)**	272,500
7.2 Significant related party transactions			
Advisory fee on issuance of Dar Al Arkan Sukuk		**3,616,500**	6,372,188
Expenses paid on behalf of the Group, net		**435,350**	272,500
Profit on Dar Al Arkan Sukuk and realized gain on available-for-sale investments, net		**2,161,046**	856,556
7.3 Compensation paid to key management personnel			
Salaries and other employee-related benefits		**12,945,916**	10,662,270

(All amounts in Saudi Riyals unless otherwise stated)

8 Intangible assets

	2018	2017
Cost:		
Balance as at January 1	3,374,801	2,204,348
Additions during the year	958,850	1,170,453
Effect of deconsolidation of subsidiary	(434,329)	-
Balance as at December 31	3,899,322	3,374,801
Accumulated amortisation:		
Balance as at January 1	2,509,103	1,344,654
Charge for the year	1,431,440	1,164,449
Effect of deconsolidation of subsidiary	(422,618)	-
Balance as at December 31	3,517,925	2,509,103
Net book value	381,397	865,698

9 Property and equipment, net

	2018				
	Furniture and fixtures	Office equipment	Vehicles	Computer hardware	Total
Cost					
Balance as at January 1	5,292,098	78,412	795,425	2,614,856	8,780,791
Additions during the year	25,031	28,000	91,279	415,985	560,295
Effect of deconsolidation of subsidiary	(1,739,340)	-	(427,924)	(700,655)	(2,867,919)
Balance as at December 31	3,577,789	106,412	458,780	2,330,186	6,473,167
Accumulated depreciation					
Balance as at January 1	3,304,298	67,927	370,217	813,295	4,555,737
Charge for the year	253,325	10,809	199,873	416,875	880,882
Effect of deconsolidation of subsidiary	(267,652)	-	(138,991)	(313,120)	(719,763)
Balance as at December 31	3,289,971	78,736	431,099	917,050	4,716,856
Net book value	287,818	27,676	27,681	1,413,136	1,756,311

	2017				
	Furniture and fixtures	Office equipment	Vehicles	Computer hardware	Total
Cost					
Balance as at January 1	4,019,571	63,860	433,180	1,388,283	5,904,894
Additions during the year	1,803,840	14,552	362,245	1,226,573	3,407,210
Disposals during the year	(531,313)	-	-	-	(531,313)
Balance as at December 31	5,292,098	78,412	795,425	2,614,856	8,780,791
Accumulated depreciation					
Balance as at January 1	3,166,611	63,860	289,755	556,463	4,076,689
Charge for the year	253,673	4,067	80,462	256,832	595,034
Disposals during the year	(115,986)	-	-	-	(115,986)
Balance as at December 31	3,304,298	67,927	370,217	813,295	4,555,737
Net book value	1,987,800	10,485	425,208	1,801,561	4,225,054

(All amounts in Saudi Riyals unless otherwise stated)

10 Investment in associate

	Nature	Priciple activity	Place of incorporation	2018	2017
Al Khair Capital (Dubai) Ltd ("ACD")	Associate	Advisory services & asset management	UAE	9,711,170	-

Movement in investment in associate during the year is as follows:

	2018	2017
Balance as at January 1	-	-
Effect of deconsolidation of Subsidiary	9,193,460	-
Share of results of associate	517,710	-
Balance as at December 31	9,711,170	-

The Group owned 100% shareholding in ACD since its inception, however in December 2018, the Group partially disposed of its investments in ACD, causing the shareholding to decrease to 33.34% and thus resulting in loss of control over ACD. ACD is now accounted for as investment in an associate using equity method of accounting.

11 Investments in financial assets

	2018	2017
a) Financial assets at FVOCI / Available-for-sale investments:		
Listed equities	84,180,191	69,287,712
Sukuk	-	23,908,125
Al Khair Capital Murabaha Fund	-	4,825,506
Al Khair Capital Sukuk Plus Fund	-	3,269,638
Al Khair Capital Saudi Equity Fund	-	1,354,822
Al Khair IPO Fund	-	1,211,335
Total financial assets at FVOCI / available-for-sale investments	84,180,191	103,857,138
b) Financial assets at FVIS:		
Al Khair Capital Saudi Margin Lending Fund	10,023,900	-
Al Yusr Baitek Financing Fund	10,000,000	-
Baitk Liquidity Fund	5,069,879	-
Al Khair Capital Sukuk Plus Fund	3,845,705	-
Al Khair Capital Murabaha Fund	2,879,529	-
Al Khair Capital Saudi Equity Fund	1,309,967	-
Al Khair IPO Fund	1,035,295	-
Total financial assets at FVIS	34,164,275	-
Total investments in financial assets	118,344,466	103,857,138

Presented below is the summary of the movement in investments:

	2018	2017
Balance as at January 1	103,857,138	48,101,213
Effect of deconsolidation of subsidiary	(37,842,340)	-
Purchase of investments during the year	152,393,575	130,873,129
Disposal / redemption of investments during the year	(106,126,504)	(77,348,588)
Realized gain on disposal of investments during the year	6,559,545	2,203,087
Changes in fair value	(496,948)	28,297
Balance as at December 31	118,344,466	103,857,138

(All amounts in Saudi Riyals unless otherwise stated)

12 Investment properties, net

	2018	2017
Cost:		
Balance as at January 1	**151,450,000**	151,450,000
Balance as at December 31	**151,450,000**	151,450,000
Accumulated depreciation:		
Balance as at January 1	**13,988,417**	10,496,215
Charge for the year	**3,487,228**	3,492,202
Balance as at December 31	**17,475,645**	13,988,417
Net book value	**133,974,355**	137,461,583

Investment properties represent apartment buildings in two blocks having title deeds no. 710121024572 and 410120028126 within the territory of Al-Qasr project, located in Riyadh and occupying total area of 24,816 square meters, which were purchased during 2013 and sub-leased for rental. As at December 31, 2018, the cumulative fair value of these investment properties was approximately Saudi Riyals 167.3 million.

13 Accrued expenses and other liabilities

	2018	2017
Accrued employee benefits	**-**	3,455,500
Accrued social security payable	**173,554**	-
Accrued liabilities	**1,494,794**	860,250
Due to a related party (Note 7.1)	**21,615**	-
Other	**99,699**	734,153
	1,789,662	5,049,903

14 Short term borrowing

As at December 31, 2017 the Group had a financing agreement with a third party bank in United Arab Emirates at a fixed rate of interest of 4.5% per annum with 92 days maturity. Proceeds from the financing agreement were used by the Group to acquire sukuk investments. There is no such financing agreement this year as this was related to the previously held subsidiary of the Group.

15 Provision for zakat and income tax

15.1 The significant components of zakat base of the Saudi shareholders are principally comprised of the following:

	2018	2017
Zakat Base		
Shareholders' equity - beginning of the year	**253,547,835**	234,213,679
Net income for the year, as adjusted	**24,973,270**	20,077,006
Provisions	**4,561,030**	1,802,354
Provision for zakat and tax	**11,609,671**	12,115,564
Property and equipment and investment properties, net	**(132,244,709)**	(132,757,187)
Investments	**(128,056,540)**	(103,077,940)
Total zakat base	**34,390,557**	32,373,476
Saudi shareholding percentage	**99.05%**	99.05%
Zakat base for Saudi shareholders for the year	**34,063,847**	32,065,928
Estimated zakat for the year	**851,596**	801,648

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

(All amounts in Saudi Riyals unless otherwise stated)

Taxable Income

	2018	2017
Taxable income	24,973,270	20,077,006
Foreign shareholding percentage	0.95%	0.95%
Taxable income of ultimate foreign shareholders	237,246	190,732
Losses brought forward up to extent of 25% of adjusted profit	-	(47,683)
Non-Saudi shareholder share of used amount of the provisions	(2,713)	(598)
Taxable income of ultimate foreign shareholders after adjustment of brought forward losses up to extent of 25%	234,533	142,451
Income tax calculated at 20%	46,907	28,490

15.2 Movement in provision for zakat and tax during the year is as follows:

	2018	2017
Balance as at January 1	12,874,729	13,730,841
Charge for the year	898,503	830,138
Payments during the year	(1,246,272)	(1,686,250)
Effect of deconsolidation of Subsidiary	(18,786)	-
Balance as at December 31	12,508,174	12,874,729

15.3 Status of assessment

The Group has received assessment from the General Authority of Zakat and Tax ("GAZT") for the years 2009 to 2014 and has filed appeals for all the years. The Group has also filed tax assessments for the years 2015 to 2017, which are currently under GAZT review. The management believes that the provision recorded during the year ended December 31, 2018 is sufficient to cover zakat related liabilities.

16 Employees' termination benefits

16.1 Movement in the net liabilities recognized is as follows:

	2018	2017
Balance as at January 1	3,616,869	1,865,341
Provided during the year	2,117,290	1,814,515
Payments during the year	(490,241)	(62,987)
Effect of deconsolidation of Subsidiary	(323,113)	-
Balance as at December 31	4,920,805	3,616,869

16.2 The significant assumptions used in determining employees' termination benefits for the Group's plans are shown below:

	2018	2017
Discount rate	4.55%	3.55%
Future salary increases	4.55%	3.55%

(All amounts in Saudi Riyals unless otherwise stated)

16.3 A quantitative sensitivity analysis for significant assumptions on the employees' termination benefits are shown below:

	2018	2017
Discount rate		
0.5 % increase	**5,069,256**	4,129,131
0.5% decrease	**5,458,168**	4,467,307
Future salary increases		
0.5% increase	**5,368,568**	4,466,436
0.5% decrease	**5,151,049**	4,128,366

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of reporting period.

17 Share capital

As at December 31, 2018 and 2017, the issued and fully paid up share capital of the Group is Saudi Riyals 300 million divided into 30 million shares of nominal value of Saudi Riyals 10 each.

18 Statutory reserve

In accordance with the Regulations for Companies in Saudi Arabia, the Group is required to establish a statutory reserve by the appropriation of 10% of annual net income after absorption of accumulated losses, until such reserve equals 30% of its share capital. No transfers have been made since inception of the Group as the Group has accumulated losses.

19 Assets held in trust or in a fiduciary capacity

The Group holds Clients' money in omnibus accounts at a local bank to carry out its dealing, managing and custodial activities. As at December 31, 2018, the clients' cash accounts held by the Group amounted to Saudi Riyals 9,204 million (2017: Saudi Riyals 8,154 million). Consistent with the accounting policy mentioned in note 2, such balances are not included in the Group consolidated financial statements as these are held in fiduciary capacity.

20 General and administrative expenses

	2018	2017
Travel and advertising	**2,454,176**	1,224,076
Professional and consulting	**1,319,136**	1,803,889
Telecommunications	**1,787,283**	1,634,838
Membership and subscription	**901,843**	570,622
Provision for doubtful debts (Note 5)	**780,000**	1,230,000
Financial charges	**575,508**	357,701
Repairs and maintenance	**275,743**	80,888
Penalty and fines	**-**	10,000
Other	**846,107**	839,658
	8,939,796	7,751,672

21 Earnings per share

Earnings per share for the years ended December 31, 2018 and 2017 has been computed by dividing the income from operations and net income for the year by weighted average number of shares outstanding during the year.

22 Capital commitments and contingencies

No capital commitments or contingencies are outstanding as at the reporting date.

(All amounts in Saudi Riyals unless otherwise stated)

23 Segment information

The Group operates and conducts its business activities in the Kingdom of Saudi Arabia. Before disposal of its subsidiary Al Khair Capital (Dubai) Ltd, the business activities were also conducted in United Arab Emirates. For management purposes, the Group is organized into business lines based on services provided and has the following reportable segments:

a. **Asset Management** - this includes the management of conventional assets on behalf of investors which can be in the form of mutual funds or discretionary portfolio mandates.
b. **Brokerage and advisory** - this includes the brokerage and execution services by providing access to the Saudi Arabia and International markets and the extension of margin facilities for these markets for customers.
c. **Investments** - this includes business line such as investment banking, proprietary investments and real estate investments.
d. **Other** - this includes other business lines such as custody, corporate development and other control and support functions.

Selected financial information as at December 31 and for the year then ended, summarized by business segments, is as follows:

	Asset Management	Brokerage and advisory	Investments	Other	Total
2018					
Total assets	**49,104,683**	**14,969,829**	**232,407,880**	**7,432,653**	**303,915,045**
Total liabilities	**-**	**-**	**-**	**(19,218,641)**	**(19,218,641)**
Total income	**53,917,598**	**9,067,961**	**12,999,483**	**128,016**	**76,113,058**
Total expenses	**(32,911,683)**	**(5,535,147)**	**(11,603,611)**	**(78,142)**	**(50,128,583)**
Net income income before zakat and tax	**21,005,915**	**3,532,814**	**1,395,872**	**49,874**	**25,984,475**
2017					
Total assets	18,712,282	2,545,938	247,737,339	21,093,777	290,089,336
Total liabilities	-	-	15,000,000	21,541,501	36,541,501
Total income	36,481,432	16,938,170	11,722,594	(166,587)	64,975,609
Total expenses	(16,202,923)	(8,922,586)	(9,699,677)	(10,765,063)	(45,590,249)
Net income income before zakat and tax	20,278,509	8,015,584	2,022,917	(10,931,650)	19,385,360

Before disposal of its subsidiary, AlKhair Capital Dubai, the Group was organised into two main geographical units based on its products and services as well as customers' profiles, as follows:

a. **Saudi Arabia** - the main geographical segment to focus on local customers and operate as a supervisory unit for other geographical segment. Main activities of this segment include advisory, arrangement, brokerage, custody, asset management and financial investments.
b. **United Arab Emirates** - an international segment to mainly focus on foreign customers. Main activities were advisory, arrangements and asset management.

Management monitored the results of its operations on a consolidated basis, based on customers' profiles for the purpose of making decisions about resource allocation and performance assessment. Transfer prices between geographical segments were on an arm's length basis in a manner similar to transactions with third parties.

24 Financial instruments

Fair value measurements of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices / Net Asset Value or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(All amounts in Saudi Riyals unless otherwise stated)

	Carrying amount				Fair values			
Accounting classifications and fair values	**Fair value through income statement**	**Fair value through OCI**	**Amortized cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2018								
Financial assets								
Financial assets at fair value								
Financial assets at FVIS	34,164,275	-	-	34,164,275	14,140,375	20,023,900	-	34,164,275
Financial assets at FVOCI	-	84,180,191	-	84,180,191	84,180,191	-	-	84,180,191
Financial assets at amortised cost								
Cash and cash equivalents	-	-	840,079	840,079	-	-	-	-
Accounts receivable and other current assets	-	-	23,062,504	23,062,504	-	-	-	-
Receivable against margin lending	-	-	13,788,954	13,788,954	-	-	-	-
	34,164,275	84,180,191	37,691,537	156,036,003	98,320,566	20,023,900	-	118,344,466
Financial liabilities								
Financial liabilities at amortised cost								
Accrued expenses and other liabilities	-	-	1,789,662	1,789,662	-	-	-	-
	-	-	1,789,662	1,789,662	-	-	-	-
December 31, 2017								
Financial assets								
Financial assets at fair value								
Available-for-sale investments	-	103,857,138	-	103,857,138	103,857,138	-	-	103,857,138
Financial assets at amortised cost								
Cash and cash equivalents	-	-	13,312,078	13,312,078	-	-	-	-
Accounts receivable and other current assets	-	-	28,392,378	28,392,378	-	-	-	-
	-	103,857,138	41,704,456	145,561,594	103,857,138	-	-	103,857,138
Financial liabilities at amortised cost								
Accrued expenses and other liabilities	-	-	5,049,903	5,049,903				
Short term borrowing	-	-	15,000,000	15,000,000				
	-	-	20,049,903	20,049,903	-	-	-	-

25 Financial risk management

The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk

25.1 Credit risk

Credit risk is the risk that a customer of the Group will fail to discharge its financial obligation to the Group and will cause the Group to incur a financial loss.

The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables and maintains accounts with reputable, creditworthy banks. The Group has established policies and procedures for timely recovery of trade debts. With respect to parties other than affiliates, the Group mitigates its exposure and credit risk by applying specific controls in accordance with the Group policies and procedures. Any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Group's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the margin lending.

Other assets mainly comprise of accrued income and receivables relate to Murabaha trading portfolios. The accrued income mainly relates to amounts due on account of asset management services and is settled within a short period of time. The Murabaha trading portfolios have adequate coverage ratios and are closely monitored and any margin calls or liquidations are performed at predefined thresholds as and when needed to ensure that the Group's exposure is sufficiently collateralized. The maximum credit exposure equals the carrying amount of the placements and other assets.

25.2 Market risk

Commission rate risk

Commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Group's special commission rate risks arise mainly from its receivables against margin lending, which are subject to re-pricing on a regular basis. Management believes that the special commission rate risks to the Group are not significant.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and the Group is not significantly exposed to currency risk.

Price risk

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

The Group is exposed to market risk with respect to its investments in listed equities and mutual funds. The Group limits market risks by diversification of its investments.

The effect on the consolidated statements of income and comprehensive income (as a result of the change in the net asset value of investments held at FVIS or FVOCI as at December 31, 2018) due to a 10% change in market prices or net asset value per unit is insignificant.

25.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

The Group's liquidity management process is as follows:

a) Day-to-day funding, managed by Finance department to ensure that requirements can be met and this includes replenishment of funds as they mature or are invested:
b) Monitoring balance sheet liquidity ratios against internal and regulatory requirements
c) Managing the concentration and profile of debt maturities
d) Liquidity management and asset and liability mismatching

	2018		2017	
	Due within 1 year	**Due after 1 year**	**Due within 1 year**	**Due after 1 year**
Accrued expenses and other liabilities	**1,789,662**	-	5,049,903	-
Short-term borrowings	-	-	15,000,000	-
Total	**1,789,662**	-	20,049,903	-

26 Regulatory capital requirements and capital adequacy ratio:

In accordance with Capital Market Authority (the CMA) circular no. X/6/11098/14 dated November 19, 2014 read in conjunction with Article 74(b) of the Prudential Rules issued by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio as at December 31, 2018 and 2017:

	Amounts in SR '000'	
	2018	**2017**
Capital base:		
Tier 1 capital	**284,032**	252,769
Tier 2 capital	**282**	779
Total capital base	**284,314**	253,548
Minimum capital requirement:		
Market risk	**194**	214
Credit risk	**124,638**	126,177
Operational risk	**12,532**	11,446
Total minimum capital required	**137,364**	137,837
Capital adequacy ratio:		
Tier 1 capital ratio (time)	**2.07**	1.83
Tier 2 capital ratio (time)	**0.00**	0.01
Total capital ratio (time)	**2.07**	1.84
Surplus in Capital	**146,950**	115,711

(a) The above information has been extracted from the annual Capital Adequacy Model for December 31, 2018 to be submitted and December 31, 2017 as submitted to CMA.
(b) The capital base consists of Tier 1 and Tier 2 capital as per Article 4 of the Rules. The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in Part 3 of the Rules.
(c) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.
(d) The Company is required to disclose the prescribed information as required under Pillar III of the Rules on the Company website (www.alkhaircapital.com.sa). However, such information is not subject to review or audit by the external auditors of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

27 Subsequent events

There have been no significant subsequent events after the date of consolidated statement of financial position.

28 Reclassification of comparative figures

During the year, the Group has reclassified some its balances appearing on the face of the statement of financial postion into one line item. Effect of such reclassification is shown below.

For the year ended December 31, 2017	As previously stated	Amount reclassified	Amount after reclassification
Consolidated statement of financial positon			
Accounts receivable, net	26,995,548	(26,995,548)	-
Prepayments and other receivables	3,099,737	(3,099,737)	-
Due from a related party, net	272,500	(272,500)	-
Accounts receivable, prepayments and other current assets	-	30,367,785	30,367,785
Consolidated statement of cash flows			
Accounts receivable, net	2,540,665	(2,540,665)	-
Prepayments and other receivables	(1,204,394)	1,204,394	-
Due from / due to a related party	(7,167,813)	7,167,813	-
Accounts receivable, prepayments and other current assets	-	(5,831,542)	(5,831,542)

For the year ended December 31, 2016	As previously stated	Amount reclassified	Amount after reclassification
Consolidated statement of financial positon			
Accounts receivable, net	30,766,213	(30,766,213)	-
Prepayments and other receivables	1,895,343	(1,895,343)	-
Due from a related party, net	-	-	-
Accounts receivable, prepayments and other current assets	-	32,661,556	32,661,556
Accrued expenses and other liabilities	1,051,087	6,895,313	7,946,400
Due to a related party, net	6,895,313	(6,895,313)	-