MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH THE
INDEPENDENT AUDITOR'S REPORT

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2017
(Saudi Riyals)

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Middle East Financial Investment Company** (the "Company"), and its subsidiary (collectively the "Group") which comprise the consolidated balance sheet as at December 31, 2017, and the consolidated statement of income, cash flows and consolidated changes in equity for the year then ended, and notes 1 to 25 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Basis for Opinion

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

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Company's Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362)
● Jeddah: Tel. 012 2830112, Fax: 012 6612788 ● Dammam: Tel. 013 8344311, Fax: 013 8338553, www.alamri.com
Dr. Mohamed Al-Amri & Co., a Saudi Professional Company registered under licence no. 323/11/66, C.R. 4030275330

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

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

INDEPENDENT AUDITOR'S REPORT (CONT.)

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 ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Groups's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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

INDEPENDENT AUDITOR'S REPORT (CONT.)

Report on other legal and regulatory requirements

In our opinion accompanying consolidated financial statements, taken as a whole, comply with requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of consolidated financial statements.

For Dr. Mohamed Al-Amri

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٤٢٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on 02 Rajab 1439 (H)
Corresponding to: 19 March 2018 (G)

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED BALANCE SHEET
As at 31 December 2017
(Saudi Riyals)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	4	**19,124,836**	26,794,381
Margin loans		-	11,999,392
Held for trading investments		-	5,091,599
Short term loan	5	**6,000,000**	**-**
Receivable against the sale of investment property	9	**10,000,000**	**-**
Receivable from Souq Sharq Fund	10	**15,000,000**	12,000,000
Deposit against letter of guarantee		**17,973,700**	17,973,700
Murabaha receivables	10	**15,032,333**	10,166,667
Accrued income and other current assets, net	6	**34,395,094**	36,292,412
Total current assets		**117,525,963**	120,318,151
Non-current assets			
Available-for-sale investments	7	**147,125,711**	147,094,108
Equity accounted investee	8	**2,310,640**	3,771,325
Receivable against the sale of investment property	9	**110,000,000**	120,000,000
Receivable from Souq Sharq Fund	10	**16,403,906**	22,403,906
Long-term receivables	11	**3,925,000**	4,650,000
Property and equipment, net	12	**4,335,209**	3,974,533
Total non-current assets		**284,100,466**	301,893,872
TOTAL ASSETS		**401,626,429**	422,212,023
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accrued expenses and other current liabilities	13	**5,785,704**	4,868,299
Provision for zakat and income tax	14	**5,352,515**	6,250,215
Total current liabilities		**11,138,219**	11,118,514
Non-current liabilities			
Employees' end of service benefits	15	**3,599,292**	3,401,277
Total non-current liabilities		**3,599,292**	3,401,277
Total liabilities		**14,737,511**	14,519,791
Shareholders' equity			
Share capital	16	**400,000,000**	400,000,000
Statutory reserve	17	**9,058,281**	9,058,281
Other reserves		**(11,083,133)**	(9,025,015)
(Accumulated loss) / retained earnings		**(11,086,230)**	7,658,966
Total shareholders' equity		**386,888,918**	407,692,232
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**401,626,429**	422,212,023

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2017
(Saudi Riyals)

	Notes	2017	2016
REVENUES			
Asset management and subscription fees		**28,096,657**	32,917,593
Realized gain on sale of held for trading investments, net		**501,962**	609,206
Realized gain on sale of available-for-sale investments, net		**(1,529,422)**	10,128,173
Dividend income		**1,092,000**	2,183,903
Profit on Murabaha placement		**1,207,667**	166,667
Brokerage fee income		**238,790**	2,147,674
Special commission income		**252,057**	2,701,576
Unrealized gain on held for trading investments		**-**	31,440
Share of loss from equity accounted investee	8	**(1,460,685)**	(1,402,292)
Interest income		**4,200,000**	4,200,000
Other income		**41,884**	297,295
Foreign exchange gain / (loss)		**7,218**	(209,841)
Total revenues		**32,648,128**	53,771,394
EXPENSES			
Salaries and employees' related expenses		**(26,134,382)**	(28,226,621)
Depreciation expense	12	**(858,585)**	(960,684)
Rent expenses		**(1,220,308)**	(1,505,550)
Interest expense		**(186,914)**	-
Impairment charges	19	**(113,455)**	(1,639,247)
Provision for doubtful receivables – other assets		**(2,358,333)**	-
Other general and administrative expenses	18	**(15,643,360)**	(16,395,346)
Total expenses		**(46,515,337)**	(48,727,448)
NET (LOSS) / INCOME FOR THE YEAR		**(13,867,209)**	5,043,946
(LOSS) / EARNINGS PER SHARE	20	**(0.35)**	0.13

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(Saudi Riyals)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year	**(13,867,209)**	5,043,946
Adjustments to reconcile net income to net cash from operating activities:		
Realized gain on sale of held for trading investments, net	**(501,962)**	(609,206)
Unrealized gain on held for trading investments	**-**	(31,440)
Realized gain on sale of available-for-sale investments, net	**1,529,422**	(10,128,173)
Profit on Murabaha placement	**(865,666)**	(166,667)
Share of loss from equity accounted investee	**1,460,685**	1,402,292
Provision for doubtful receivables – other assets	**2,358,333**	-
Impairment charges, net	**113,455**	1,639,247
Depreciation expense	**858,585**	960,684
Provision for employees' end of service benefits	**1,032,959**	1,083,726
Loss on disposal of property and equipment	**1,294**	-
Short-term loan	**(6,000,000)**	-
	(13,880,104)	(805,591)
Changes in operating assets and liabilities:		
Purchase of held for trading investments	**(28,570,013)**	(27,191,632)
Proceeds from sale of held for trading investments	**34,163,574**	24,570,943
Receivables from Souq Sharq Fund	**3,000,000**	-
Payable to Souq Sharq Fund	**-**	(30,001)
Accrued income and other assets	**1,463,985**	(13,758,451)
Accrued expenses and other liabilities	**917,405**	(938,792)
	(2,905,153)	(18,153,524)
Employees end-of-service benefits paid	**(834,944)**	(394,522)
Zakat and tax paid	**(5,775,687)**	(6,544,220)
Net cash used in operating activities	**(9,515,784)**	(25,092,266)
INVESTING ACTIVITIES		
Margin loans	**11,999,392**	31,299,430
Murabaha placement	**(4,000,000)**	(10,000,000)
Long term receivables	**(1,200,000)**	(300,000)
Purchase of property and equipment	**(1,220,555)**	(1,150,874)
Purchase of available-for-sale investments	**(27,175,642)**	(10,647,479)
Proceeds from disposal of available-for-sale investments	**23,443,044**	31,580,930
Net cash generated from investing activities	**1,846,239**	40,782,007

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2017
(Saudi Riyals)

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(20,000,000)
Net cash used in financing activities	-	(20,000,000)
Decrease in cash and cash equivalents	**(7,669,545)**	(4,310,259)
Cash and cash equivalents, at the beginning of the year	**26,794,381**	31,104,640
Cash and cash and equivalents, at the end of the year	**19,124,836**	26,794,381
Supplemental non-cash information		
Change in fair value of available for sale investments and foreign exchange difference	**(2,058,118)**	477,650
Transfer from work in progress to property and equipment	**1,700,306**	183,309

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

MIDDLE EAST FINANCIAL INVESTMENT COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2017
(Saudi Riyals)

	Notes	**Share capital**	**Statutory reserve**	**Other reserves**	**(Accumulated loss) / retained earnings**	**Total**
Balance as at 1 January 2017		**400,000,000**	**9,058,281**	**(9,025,015)**	**7,658,966**	**407,692,232**
Net loss for the year		**-**	**-**	**-**	**(13,867,209)**	**(13,867,209)**
Change in fair value of available-for-sale investments and foreign exchange difference during the year, net		**-**	**-**	**(2,058,118)**	**-**	**(2,058,118)**
Zakat and income tax	14	**-**	**-**	**-**	**(4,877,987)**	**(4,877,987)**
Balance as at 31 December 2017		**400,000,000**	**9,058,281**	**(11,083,133)**	**(11,086,230)**	**386,888,918**
Balance as at 1 January 2016		400,000,000	8,553,886	(9,502,665)	28,516,270	427,567,491
Net income for the year		-	-	-	5,043,946	5,043,946
Transfer to statutory reserve	17	-	504,395	-	(504,395)	-
Change in fair value of available-for-sale investments and foreign exchange difference during the year, net		-	-	477,650	-	477,650
Dividends paid		-	-	-	(20,000,000)	(20,000,000)
Zakat and income tax	14	-	-	-	(5,396,855)	(5,396,855)
Balance as at 31 December 2016		400,000,000	9,058,281	(9,025,015)	7,658,966	407,692,232

The accompanying notes 1 to 25 form an integral part of these consolidated financial statements.

1. GENERAL

Middle East Financial Investment Company (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010237038 issued in Riyadh on Sha'ban 2, 1428 H (corresponding to 15 August 2007) and Ministerial Resolution No. 200/K dated Rajab 30, 1428 H (corresponding to 13 August 2007) announcing the formation of the Company.

The objectives of the Company are to participate in financial security activities, deal as an agent and as an underwriter, perform management activities to establish and arrange investment funds, manage portfolios, perform arranging, advisory and custody services for the purposes of the administrative procedures related to the investment funds, portfolio management, and financial brokerage in accordance with the license of the Capital Market Authority ("CMA") No. 06029-37 dated 21 Jumada II 1427 H (corresponding to 17 July 2007 G).

These consolidated financial statements comprise of the financial statements of the Company and its subsidiary Jeser Real Estate Development Company (collectively referred to as "the Group"). The financial statements of the subsidiary are prepared for the same reporting period as that of the Company. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated.

The Company's subsidiary, Jeser Real Estate Development Company ("Jeser") is a Saudi Limited Liability Company, which is owned 100% by the Company as follows.

	Ownership percentage	
	Direct	**Indirect***
Jeser Real-Estate Development Company	**99.9**	**0.1**

*Although not legally owned by the Company, the other shareholder has assigned his share of investment to the benefit of the Company.

The objectives of the subsidiary are to purchase land for construction of buildings for the purpose of sale or lease; in addition manage, maintain, develop, buy and own, sell and purchase, and utilize real estate and land for the benefit of the Company. The subsidiary is also permitted to invest in other entities, which engage in similar real estate activities.

2. BASIS OF PREPARATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Transition To International Financial Reporting Standards
Saudi Organization for Certified Public Accountants (SOCPA) has approved a plan for transition to International Financial Reporting Standards (IFRS). Accordingly, for the year ended December 31, 2018 the Group will prepare its financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia.

Basis of measurement
These consolidated financial statements have been prepared on historical cost basis using the accrual basis of accounting and the going concern concept, except for investments held for trading and available-for-sale investments, which are measured at fair value; and investment in associate which is accounted for under equity method.

Functional and presentation currency
The consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional currency of the Group.

BASIS OF PREPARATION (Continued)

Critical accounting judgements, estimates and assumptions
The preparation of consolidated financial statements in conformity with SOCPA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used judgements, estimates and assumptions are as follows:

Impairment of available for-sale investments
The Group exercises judgement to consider impairment on the available-for-sale investments. This includes determination of a significant and prolonged decline in the fair value below its cost. In making this judgement, the Group evaluates among other factors, the normal volatility in price. In addition, the Group considers impairment appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment of other non-current assets
Other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Determination of Control
The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investor's rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

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 principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Additionally, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on going concern basis.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The accounting policies set out below have been applied consistently to all years presented in the financial statements:

Cash and cash equivalents
For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, cash with banks and other short-term highly liquid investments with original maturities of three months or less, which are available to the Group without any restriction.

Held for trading investments
An investment is classified as held for trading if they are purchased for the purpose of resale in short-term. Investments held for trading are recognised initially at cost plus attributable transaction costs on trade date, which is the date on which the Group becomes a party to the contractual provisions of the investment. Subsequent to initial recognition, these investments are measured at fair value and changes therein are recognised in the statement of income.

Available-for-sale investments
The Group's investments in equity securities are classified as available-for-sale investments (AFS) if these are not purchased for trading. AFS investments are initially recognized at cost plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items, are recognized directly in shareholders' equity as fair value reserve.

For securities traded in organized financial markets, fair value is determined by reference to exchange quoted market bid prices at the close of business on the consolidated balance sheet date. Fair value of investments in mutual funds is determined by reference to declared net asset values.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows of the security. Where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

If the fair value of the AFS investments held by the Group cannot be determined reliably, these AFS investments are stated at cost.

On de-recognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the year.

Equity accounted investees
Investment in associates in which the Group has equity interest more than 20% but less than 50% and exercises significant influence is recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition changes in the net assets of the investee companies.

Margin loans
Margin loans are granted in-line with the CMA Authorized Person Regulations, which allow the Group to grant credit facilities under certain business specifications. These represents Shariah compliant products in the form of Murabaha agreements which are stated at amortized cost less allowance for doubtful loans.

SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Margin loans are initially recognized when cash is advanced to customers. They are derecognized when customers repay their obligations; the loans are written off, or the loans are sold and substantially all the risks and rewards of ownership are transferred. The Group in the ordinary course of business holds shares as collateral to mitigate credit risk on margin loans.

Investment properties
Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged so as to write-off the cost less estimated residual value over their estimated useful lives, using the straight-line method. Gains from these investments are reported upon the sale of investment.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of income when incurred.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of individual item of property and equipment. The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold improvements	7
Furniture and fixtures	5
Office equipment	5
Information technology equipment	4
Network communication equipment	4
Software and licenses	7
Motor vehicles	5

Gains and losses on disposals are determined by comparing disposal proceeds with carrying amount and are included in the statement of income.

Employees' end-of-service benefits
End-of-service benefits are payable as a lump-sum to all employees employed under the terms and conditions of the Saudi Labor Law on termination of their employment contracts. The liability is calculated as the current value of the vested benefits to which the employee is entitled to, should the employee leaves at the consolidated balance sheet date. Benefit payments are based on employees' final salaries and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

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

SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

Zakat and income tax
The Group's Saudi and GCC shareholders are subject to Zakat in accordance with the Regulations of the General Authority of Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of zakat arising there from is provided as a charge to shareholders' equity.

The Group's foreign shareholders are subject to income tax in accordance with Regulations of ("GAZT") as applicable in the Kingdom of Saudi Arabia. Income tax is computed on adjusted net income. An estimate of income tax arising therefrom is provided as a charge to shareholders' equity.

Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Revenue recognition

- Asset management fees are recognized based on the certain agreed percentage of NAV of funds being managed. The Group as a Fund Manager charges asset management fees to its Funds on account of management, administration, subscription and custody at the rates agreed under offer documents of each fund.
- Portfolio and other advisory fees, service fees and custodian fees included under other income, are recognized based on the applicable service contract.
- Special commission income is recognized on accrual basis.
- Dividends from investments are recognized when right to receive the dividend is established.
- Rental income is recognized on an accrual basis using straight line method over the lease terms. When the Group provides incentives to its tenants, the cost of incentives are recognized over the lease-term, on a straight-line basis, as a reduction of rental income.

Expenses
Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Operating lease
Rental expense for operating leases is charged to the consolidated statement of income on a straight-line basis over the term of the operating lease.

Fiduciary assets
Assets under management:
The Group offers assets management services to its customers, which include management of certain mutual funds and investments. Such assets are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

Clients' cash accounts:
Clients' cash accounts are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2017	2016
Cash in hand	**20,000**	20,000
Cash at banks – current accounts	**19,104,836**	26,774,381
	19,124,836	26,794,381

(Saudi Riyals)

5. SHORT-TERM LOAN

This represents short-term loan to MEFIC Real Estate Income Fund, a fund managed by the Company. The loan is interest free and has no definite term for repayment.

6. ACCRUED INCOME AND OTHER CURRENT ASSETS, NET

	Notes	As at December 31, 2017	2016
Accrued management fee		**23,751,807**	17,847,527
Advance to property manager	6(a)	**1,998,207**	1,998,207
Accrued subscription fee		**1,131,881**	-
Accrued performance fee		**-**	6,814,232
Prepaid expenses		**742,416**	1,679,980
Prepaid rent		**235,113**	-
Interest receivable from Souq Sharq	9,10	**4,200,000**	4,200,000
Receivable from employees		**3,532,256**	3,041,618
Custody fees receivable		**220,000**	220,000
Dividends receivable	10	**36,000**	2,136,000
Others		**1,340,752**	714,853
		37,188,432	38,652,417
Provision for doubtful receivables – other assets		**(2,793,338)**	(2,360,005)
		34,395,094	36,292,412

(a) This represents advance payment made to the property manager of the Souq Sharq. The cumulative provision for doubtful debts amounts to SR 1.99 million as at 31 December 2017.

7. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments at December 31 were as follows:

2017	**Book value**	**Fair value**	**Unrealized gain / (loss)**
Real estate funds (a)	**73,500,000**	**67,542,236**	**(5,957,764)**
Mutual funds (b)	**47,823,121**	**46,656,618**	**(1,166,503)**
Unquoted foreign equity investment (c)	**11,865,752**	**11,815,105**	**(50,647)**
Quoted foreign equity investment (d)	**19,970**	**22,131**	**2,161**
Discretionary portfolios (e)	**25,000,000**	**21,089,621**	**(3,910,379)**
	158,208,843	**147,125,711**	**(11,083,132)**

2016	Book value	Fair value	Unrealized gain / (loss)
Real estate funds (a)	75,950,000	71,168,551	(4,781,450)
Mutual funds (b)	40,647,480	39,268,361	(1,379,118)
Unquoted foreign equity investment (c)	11,865,752	11,823,480	(42,272)
Quoted foreign equity investment (d)	1,464,096	1,504,103	40,007
Al Waad Investment portfolios	1,191,795	1,140,644	(51,151)
Discretionary portfolios (e)	25,000,000	22,188,969	(2,811,031)
	156,119,123	147,094,108	(9,025,015)

(Saudi Riyals)

AVAILABLE-FOR-SALE INVESTMENTS (Continued)

(a) This represents the Group's investment in the following real estate funds managed by the Company.

Funds	**2017**		2016	
	Number of units	**Fair Value**	Number of units	Fair Value
MEFIC Real Estate Income Fund	**60,000**	**603,558**	60,000	599,442
Manazel Qurtoba Fund	**5,000**	**5,811,438**	5,000	5,977,634
Souq Sharq Fund	**32,550**	**26,799,115**	32,550	29,730,264
Cayan MEFIC Office Tower Fund	**20,000**	**18,070,210**	20,000	18,831,986
Al Qannas II Fund	**15,000**	**16,257,915**	15,000	16,029,225
		67,542,236		71,168,551

(b) This includes the Group`s investment in the following mutual funds.

Funds	**2017**		2016	
	Number of units	**Fair Value**	Number of units	Fair Value
Funds managed by the Company				
MEFIC IPO Fund	-	**-**	147,193	19,963,290
MEFIC Local Equity Fund	**50,000**	**4,387,050**	50,000	4,285,375
MEFIC Private Equity Opportunities Fund	**10,647**	**10,675,451**	10,647	10,647,479
MEFIC Private Equity Food & Beverage Opportunities Fund	**16,741**	**17,075,642**	**-**	**-**
Investment subscription money - MEFIC Private Equity Opportunities Fund II	-	**10,100,000**	**-**	**-**
Others				
KMEFIC Gulf Gate Fund	**339,774**	**4,418,475**	339,774	4,372,217
		46,656,618		39,268,361

(c) This represent investment in unquoted shares of Marsa Al-Seef Investment Company Limited, registered in Cayman Island. The company was established with the principal aim of investing in Marsa Al-Seef project, a real estate development in the Kingdom of Bahrain.

(d) This represents 3,436 (2016: 251,909) preferred shares held in Ahli United Bank UK Student Accommodation Company.

(e) This represents amount invested in a discretionary equity portfolio managed by the asset management division of the Company.

The change in fair value of available-for-sale investments and foreign exchange differences for the year ended 31 December 2017 amounting to SR (2,058,118) (31 December 2016: SR 477,650) is presented in other reserves within the consolidated statement of changes in shareholders' equity.

(Saudi Riyals)

8. EQUITY ACCOUNTED INVESTEE

The movement in equity accounted investee for the year ended 31 December is as follow:

31 December 2017

Company	**Share %**	**Country of incorporation**	**Balance as at 1 January 2017**	**Share in loss**	**Impairment**	**Balance as at 31 December 2017**
Medical Tube Industry Co.	20	Saudi Arabia	**3,771,325**	**(1,460,685)**	**-**	**2,310,640**

31 December 2016

Company	Share %	Country of incorporation	Balance as at 1 January 2016	Share in loss	Impairment	Balance as at 31 December 2016
Medical Tube Industry Co.	20	Saudi Arabia	6,077,814	(1,402,292)	(904,197)	3,771,325

Medical Tube Industry Company ("the Associate") was established in 2005 having registered office in the Kingdom of Saudi Arabia, Riyadh. The Associate is mainly involved in production of medical instruments.

9. RECEIVABLE AGAINST SALE OF INVESTMENT PROPERTY

	As at December 31,	
	2017	2016
Receivable against sale of investment property	**120,000,000**	120,000,000
Less: Current portion of receivable from Souq Sharq Fund	**(10,000,000)**	-
	110,000,000	120,000,000

In December 2014, the subsidiary sold the leasehold rights of the property "Souq Sharq" to Souq Sharq Fund (the "Fund') which is managed by the Company. The total consideration of disposal was SR 300 million out of which SR 180 million was paid in cash by the Fund and SR 120 million is payable over a maximum period of 15 years with repayment date starting from December 2017. Such amount of SR 120 million carries an interest rate of 3.5% per annum.

10. RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include its shareholders and their affiliated companies, managed investment funds, 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 Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Group.

The significant transactions with related parties during the year and the related amounts are as follows:

Name of related party	**Transactions**	**2017**	2016
Funds managed by MEFIC	Asset management and placement fee	**26,018,790**	29,891,723
MEFIC Real Estate Income Fund	Short term loan	**6,000,000**	-
	Dividend income	**42,000**	48,000

(Saudi Riyals)

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Name of related party	Transactions	2017	2016
Souq Sharq Fund	Interest Income	**4,200,000**	4,200,000
	Dividend income	**-**	**2,100,000**
Al Qannas Fund	Dividend income	**1,050,000**	-
MEFIC Private Equity Opportunity Fund II	Subscription paid	**10,100,000**	-
MEFIC Private Equity Food & Beverage Opportunities Fund	Investment	**17,075,642**	-
Board of Directors	Board remuneration	**1,121,000**	1,122,000

In addition to related party balances disclosed elsewhere in the financials following are the balances with related parties at the balance sheet date:

Name of related party	Balance	2017	2016
Funds managed by MEFIC	Accrued management fee	**23,751,807**	17,847,527
Funds managed by MEFIC	Accrued board remuneration	**1,028,000**	1,028,000
Cayan MEFIC Office Tower Fund	Accrued profit on Murabaha placement	**1,000,000**	166,667
Amwal Sports Fund	Accrued performance fee	**-**	6,814,232
Associate and Executives	Long-term receivables	**3,925,000**	4,650,000
Souq Sharq Fund	Accrued interest income	**4,200,000**	4,200,000
Real Estate Income Fund	Accrued dividend	**36,000**	36,000
Souq Sharq Fund	Accrued dividend	**-**	2,100,000

(i) Murabaha receivables

	As at December 31,	
	2017	2016
Murabaha placement – principal outstanding	**10,000,000**	10,000,000
Accrued profit on Murabaha placement	**1,000,000**	166,667
	11,000,000	10,166,667

This represents Murabaha transaction with Cayan MEFIC Office Tower fund amounting to SR 10 million carrying profit rate of 10% p.a.

(Saudi Riyals)

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Units held in the funds managed by the Group included under investments.

	2017		2016	
	Number of units	**Holding %**	Number of units	Holding %
Real Estate Income Fund	**60,000**	**0.62%**	60,000	0.62%
Souq Sharq Fund	**32,550**	**19.44%**	32,550	19.44%
Manazel Qurtoba II Fund	**5,000**	**5.00%**	5,000	5.00%
MEFIC IPO Fund	**-**	**-**	147,193.35	20.09%
MEFIC Local Equity Fund	**50,000**	**34.96%**	50,000	34.96%
CAYAN MEFIC Office Tower Fund	**20,000**	**31.91%**	20,000	31.91%
Al Qannas II Fund	**15,000**	**13.00%**	15,000	13.00%
MEFIC Private Equity Opportunities Fund	**10,647**	**8.00%**	10,647	8.00%
MEFIC Private Equity Food & Beverage Opportunities Fund	**16,741**	**31.50%**	-	-
MEFIC Private Equity Opportunities Fund II (Units under subscription)	-	-	-	-

(iii) Receivable from MEFIC Souq Sharq Fund – During the year 2014, under the sale and assignment agreement between the Group and MEFIC Souq Sharq Fund ("the Fund"), the Fund was assigned the right to collect rent due from tenants at the time of transfer of the leasehold property amounting to SR 40.4 million. Accordingly, Group reclassified the rent receivable as a balance receivable from the Fund and reversed the provision for doubtful recovery thereon. During the year 2015, the Company entered into a debt restructuring agreement with the Fund to allow repayment of this receivable in installments over a period of 7 years.

	As at December 31,	
Movement in receivable from Souq Sharq Fund	**2017**	2016
Balance at the beginning of year	**34,403,906**	34,403,906
Less: Received during the year	**(3,000,000)**	-
Balance at the end of year	**31,403,906**	34,403,906
Less: Current portion of receivables from Souq Sharq Fund	**(15,000,000)**	(12,000,000)
	16,403,906	22,403,906

11. LONG-TERM RECEIVABLES

	As at December 31,	
	2017	2016
Loan to executive personnel (a)	**2,000,000**	2,300,000
Advance to Associate Company(b)	**3,850,000**	2,350,000
	5,850,000	4,650,000
Less: Provision for doubtful receivables – other assets (b)	**(1,925,000)**	-
	3,925,000	4,650,000

(a) This represents loans to the senior executives of the Company. These loans carry an interest rate of 1.75% per annum (31 December 2016: 1.75% p.a.).

(b) This advance is outstanding from an associate Medical Tube Industry Company. It carries no markup and has no fixed maturity date. During the year, the Company has provided SR 1.9 million as doubtful receivable out of the total advance to this associate.

(Saudi Riyals)

12. PROPERTY AND EQUIPMENT, NET

	Leasehold improvements	Furniture and fixtures	Office equipment	Information technology equipment	Network communication equipment	Software and licenses	Motor vehicles	Work in progress	Total
Cost									
As at 1 January 2017	3,432,819	1,449,841	1,079,034	1,323,072	6,117,616	9,702,169	459,847	1,126,272	24,690,670
Additions	22,350	4,725	2,469	32,229	-	486,747	-	672,035	1,220,555
Transfer	-	-	14,278	-	-	1,686,028	-	(1,700,306)	-
Disposal	-	-		(2,699)	-		-	-	(2,699)
As at 31 December 2017	**3,455,169**	**1,454,566**	**1,095,781**	**1,352,602**	**6,117,616**	**11,874,944**	**459,847**	**98,001**	**25,908,526**
Accumulated depreciation									
As at 1 January 2017	2,970,876	1,268,495	972,227	1,150,520	6,044,081	8,164,320	145,618	-	20,716,137
Charge for the year	120,187	71,733	40,617	102,998	37,249	393,831	91,970	-	858,585
Disposals	-	-	-	(1,405)	-	-	-	-	(1,405)
As at 31 December 2017	**3,091,063**	**1,340,228**	**1,012,844**	**1,252,113**	**6,081,330**	**8,558,151**	**237,588**	**-**	**21,573,317**
Net book value									
As at 31 December 2017	**364,106**	**114,338**	**82,937**	**100,489**	**36,286**	**3,316,793**	**222,259**	**98,001**	**4,335,209**
As at 31 December 2016	461,943	181,346	106,807	172,552	73,535	1,537,849	314,229	1,126,272	3,974,533

(Saudi Riyals)

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at December 31,	
	2017	2016
Accrued employees' salaries and other benefits	**620,917**	852,483
Accrued professional fee	**1,823,625**	1,330,808
Software license fee payable	**599,247**	-
Communication and networking charges	**182,301**	115,103
Accrued IT maintenance expense	**128,350**	48,678
Accrued insurance premium	**11,250**	115,960
Accrued rent expense	**-**	223,121
Payable to GOSI	**140,526**	147,715
Accrued Board members' fee	**1,028,000**	1,028,000
Withholding tax payable	**4,780**	3,526
Commission and placement fee payable	**937,379**	735,202
Accrued maintenance expenses	**37,125**	23,850
Accrued security service expenses	**12,000**	24,000
Others	**260,204**	219,853
	5,785,704	4,868,299

14. PROVISION FOR ZAKAT AND INCOME TAX

The Group has recognized provision for zakat and Income tax for the year in accordance with Saudi Arabian Zakat and Income Tax Regulations and recognized in shareholders' equity.

(a) Components of zakat base

The following are the significant components of the zakat base of the Saudi and GCC shareholders for the year ended 31 December:

2017	**Company**	**Subsidiary**
Share capital	**400,000,000**	**100,000,000**
Accumulated profit	**7,658,966**	**47,914,690**
Statutory reserve	**9,058,281**	**6,763,414**
Adjusted net (loss) / income for the year	**(12,871,707)**	**2,704,869**
Provisions	**3,357,530**	**2,403,752**
Property and equipment, net	**(3,874,895)**	**-**
Long-term investments	**(124,688,874)**	**(33,519,970)**
Impairment of available-for-sale investment	**(113,455)**	**-**
Long term receivables subject to tax at subsidiary/associate level	**(195,299,419)**	**33,000,000**
Others	**(17,973,714)**	**-**

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

2016	**Company**	**Subsidiary**
Share capital	400,000,000	100,000,000
Accumulated profit	28,516,271	48,133,615
Statutory reserve	8,553,886	6,396,252
Dividend paid	(20,000,000)	-
Adjusted net income for the year	4,354,321	3,988,253
Provisions	2,775,115	2,296,963
Property and equipment, net	(3,658,917)	-
Long-term investments	(118,705,028)	(37,414,095)
Dividend income from Saudi companies	(15,208)	-
Impairment of available-for-sale investment	(735,050)	-
Long term receivables subject to tax at subsidiary/associate level	(207,957,669)	45,000,000
Others	593,532	-

(Saudi Riyals)

PROVISION FOR ZAKAT AND INCOME TAX (Continued)

(b) The movement in the provision for zakat for the year ended 31 December is as follows:

2017	**Company**	**Subsidiary**	**Total**
As at 1 January	**2,197,763**	**3,949,004**	**6,146,767**
(Reversal of excess provision) / prior year charge during the year	**(420,745)**	**260**	**(420,485)**
Paid during the year	**(1,777,018)**	**(3,949,264)**	**(5,726,282)**
Charge for the year	**1,530,176**	**3,734,805**	**5,264,981**
As at 31 December	**1,530,176**	**3,734,805**	**5,264,981**

2016	**Company**	**Subsidiary**	**Total**
As at 1 January	2,871,106	4,329,574	7,200,680
Reversal of excess provision during the year	(379,380)	(481,383)	(860,763)
Paid during the year	(2,491,726)	(3,848,191)	(6,339,917)
Charge for the year	2,197,763	3,949,004	6,146,767
As at 31 December	2,197,763	3,949,004	6,146,767

(c) The movement in the provision for tax for the year ended 31 December is as follows:

2017	**Company**	**Subsidiary**	**Total**
As at 1 January	**53,994**	**49,454**	**103,448**
Payment during the year	**-**	**(49,405)**	**(49,405)**
Prior year charge	**-**	**(49)**	**(49)**
Charge for the year	**-**	**33,540**	**33,540**
As at 31 December	**53,994**	**33,540**	**87,534**

2016	Company	Subsidiary	Total
As at 1 January	84,373	112,527	196,900
Prior year charge	1,093	6,310	7,403
Payment during the year	(85,466)	(118,837)	(204,303)
Charge for the year	53,994	49,454	103,448
As at 31 December	53,994	49,454	103,448

(d) Status of assessments

The Company

The Company has submitted its zakat and income tax returns for financial years from 2007 through 2016 with the General Authority for Zakat and Tax (“GAZT”). The Company received zakat assessments for the years from 2007 to 2011 raising additional demand of SAR 19.64 million. The Company paid SAR 1.67 million of the additional liability and filed an appeal against the remaining liability to Higher Appeal Committee (HAC); a bank guarantee of SAR 17.97 million was submitted to GAZT as required by the zakat and income tax laws of the Kingdom of Saudi Arabia.

The above additional exposure was on account of disallowance of certain long-term investments by GAZT. The basis of this additional aggregate Zakat liability is being contested by the Company and pending the outcome of these actions no additional liability is recorded in the financial statements. The Company has formally contested these assessments and is awaiting a response from HAC.

(Saudi Riyals)

PROVISION FOR ZAKAT AND INCOME TAX (Continued)

The Company believes that the ultimate outcome of the appeals filed and actions taken by the Company cannot be determined reliably at this stage and consequently no provision was booked for such additional Zakat liability as at 31 December 2017.

The Subsidiary
The Subsidiary has filed its Zakat and income tax returns for the years from establishment date up to and including the financial year 2016 with the General Authority of Zakat and Tax (the "GAZT"), and has received restricted certificate upto the year 2016. However, the Subsidiary has not yet received the assessments from GAZT for any of these years.

15. EMPLOYEES' END-OF-SERVICE BENEFITS

The movement in the provision for employees' end-of-service benefits for the year ended 31 December is as follows:

	2017	2016
Balance at the beginning of the year	**3,401,277**	2,712,073
Paid during the year	**(834,944)**	(394,522)
Charge for the year	**1,032,959**	1,083,726
Balance at the end of the year	**3,599,292**	3,401,277

16. SHARE CAPITAL

As at 31 December 2017, authorized, issued and fully paid-up share capital of the Company was SR 400 million divided into 40 million shares (31 December 2016: 40 million shares) with a nominal value of SR 10 each.

The shareholding of the Company's issued and fully paid-up share capital was as follows:

	Ownership percentage	**Number of shares**	**Share capital SR**
Saudi shareholders	**45%**	**18,000,000**	**180,000,000**
Foreign shareholder (a)	**40%**	**16,000,000**	**160,000,000**
The Arab Investment Company (TAIC) (b)	**15%**	**6,000,000**	**60,000,000**
	100%	**40,000,000**	**400,000,000**

(a) The Company's 40% share capital is owned by Ahli United Bank – Kuwait (30%) and Ahli United Bank - Bahrain (10%), a pan GCC banking group (AUB).

(b) TAIC is a closed joint stock company owned by the Arab states and registered in the Kingdom of Saudi Arabia. 58.65% of TAIC is owned by Saudi and GCC shareholders and therefore out of 15% of TAIC's holding in the Company, 8.8% is considered Saudi and GCC shareholding, which is subject to zakat while the remaining 6.2% is considered subject to tax liability together with Kuwait Middle East Financial Investment Company - KMEFIC.

17. STATUTORY RESERVE

In accordance with its by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches 50% of its share capital. Such reserve will be allocated at fiscal period-end, and is not subject to dividend distribution.

(Saudi Riyals)

18. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2017	2016
Professional fee	**2,492,746**	4,936,323
Repairs and maintenance expense	**1,213,322**	1,910,942
Commission and placement fee	**7,284,519**	3,384,749
Board member's fee	**1,121,000**	1,122,000
Marketing and advertising	**536,650**	764,600
Travel expense	**478,454**	986,153
Communication expense	**324,979**	404,441
Brokerage rebate	**-**	231,535
Insurance expense	**329,584**	332,951
Subscriptions	**434,791**	368,028
Publication, printing and stationery	**156,356**	216,186
CMA and license renewal fee	**302,000**	259,750
Tadawul fee	**85,803**	217,160
Utilities	**205,934**	205,249
Office cleaning expense	**263,017**	261,160
Security service expense	**144,000**	144,000
Bank charges	**10,558**	107,037
Withholding tax	**37,415**	68,633
Others	**222,232**	474,449
	15,643,360	16,395,346

19. IMPAIRMENT CHARGES

This represents impairment charges in relation to:

		For the year ended December 31,	
	Note	**2017**	2016
Available for sale investment		**113,455**	**735,050**
Investment in associate		**-**	**904,197**
		113,455	**1,639,247**

20. (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share is calculated by dividing net loss or income for the year by the weighted average number of shares for the years ended 31 December 2017 and 2016.

21. FIDUCIARY ASSETS

Assets under management:
These represent the mutual funds' assets and investments managed by the Group on behalf of its customers, which amount to **SR 2,691,414,277** as at 31 December 2017 (31 December 2016: SR 2,274,699,088). Consistent with the Group's accounting policy, such balances are not included in the Group's consolidated financial statements.

Clients' cash accounts:
Pursuant to the CMA's Authorized Persons Regulations requiring Client money segregation, the Group holds Clients' money in Omnibus accounts at a local bank to carry out its dealing, managing and custody activities. The Group is holding clients' cash accounts, which amounts to **SR Nil** as at 31 December 2017 (31 December 2016: SR 58,720,646). Consistent with the Group's accounting policy, such balances are not included in the Group's consolidated financial statements.

(Saudi Riyals)

22. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided and has the following reportable segments:

Corporate
Corporate manages future corporate development and controls all treasury related functions. All proprietary investments are incubated within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

Asset management
Asset management services include management of certain mutual funds and investments on behalf of the Group's customers.

Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss.

The Group does not track liabilities by business segment and these are accordingly disclosed as corporate liabilities.

Year ended 31 December 2017	**Note**	**Corporate**	**Asset management**	**Others**	**Total**
Total revenues		**4,312,680**	**21,407,064**	**6,928,384**	**32,648,128**
Expenses					
Salaries and employee related expenses		**(5,825,856)**	**(13,582,668)**	**(6,725,858)**	**(26,134,382)**
Depreciation expense	12	**(389,567)**	**(181,060)**	**(287,958)**	**(858,585)**
Rent expense		**(344,604)**	**(538,878)**	**(336,826)**	**(1,220,308)**
Interest expense		**(186,914)**	**-**	**-**	**(186,914)**
Other general and administrative expenses	18	**(4,689,356)**	**(11,422,171)**	**(1,890,166)**	**(18,001,693)**
Impairment charges, net	19	**(113,455)**	**-**	**-**	**(113,455)**
Total expenses		**(11,549,752)**	**(25,724,777)**	**(9,240,808)**	**(46,515,337)**
Net loss for the year		**(7,237,072)**	**(4,317,713)**	**(2,312,424)**	**(13,867,209)**
As at 31 December 2017					
Total assets		**268,388,242**	**93,933,123**	**39,305,064**	**401,626,429**
Total liabilities		**14,737,511**	**-**	**-**	**14,737,511**

(Saudi Riyals)

SEGMENT INFORMATION (Continued)

Year ended 31 December 2016	Note	Corporate	Asset management	Others	Total
Total revenues		18,706,127	32,917,593	2,147,674	53,771,394
Expenses					
Salaries and employee related expenses		(7,130,036)	(13,545,115)	(7,551,470)	(28,226,621)
Depreciation expense	12	(392,631)	(72,532)	(495,521)	(960,684)
Rent expense		(416,409)	(511,249)	(577,892)	(1,505,550)
Other general and administrative expenses	18	(4,389,106)	(9,308,028)	(2,698,212)	(16,395,346)
Impairment charges, net	19	(1,639,247)	-	-	(1,639,247)
Total expenses		(13,967,429)	(23,436,924)	(11,323,095)	(48,727,448)
Net income / (loss) for the year		4,738,698	9,480,669	(9,175,421)	5,043,946
As at 31 December 2016					
Total assets		274,517,224	133,645,342	14,049,457	422,212,023
Total liabilities		14,519,791	-	-	14,519,791

23. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY

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:

	As at December 31,	
Description	**2017**	2016
Capital base:		
Tier-1 Capital	**386,888,918**	**407,692,232**
Tier-2 Capital	**-**	**-**
Total capital base (A)	**386,888,918**	**407,692,232**
Minimum Capital Requirement:		
Market risks	**327,770**	**1,371,957**
Credit risks	**219,413,664**	**208,212,406**
Operational risks	**11,628,834**	**12,181,862**
Total minimum capital requirement (B)	**231,370,268**	**221,766,225**
Surplus (C=A-B)	**155,518,650**	**185,926,007**
Capital adequacy ratio (D=A/B)	**1.67**	**1.84**

REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY (Continued)

a) Capital Base of the Company comprise of

- **Tier-1 capital** consists of paid-up share capital, retained earnings, share premium (if any), reserves excluding revaluation reserves, with certain deductions as per the Rules.

- **Tier-2 capital** consists of subordinated loans, cumulative preference shares and revaluation reserves, with certain deductions as per the Rules.

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

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

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a. Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has established procedures to manage credit exposure including evaluation of borrowers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collaterals such as managing borrowers' portfolios. Individual margin loan contracts generally are for terms not exceeding twelve months.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group's policy over credit risk is to minimize exposure to counter parties with perceived higher risk of default by dealing only with counter parties that are evaluated to be credit worthy based on risk assessment procedures performed, Know Your Customer (KYC) and compliance procedures conducted prior to accepting a customer. The Group extends financing to customers after obtaining adequate collaterals in the form of approved securities as to ensure adequate customer liquidity to meet repayment obligations and mitigate credit risk.

Credit risk is monitored on a daily basis for adequacy of collateral coverage in accordance with the applicable risk management policy and if required, additional margin calls are issued to customers to pledge additional assets and customer portfolios are fully / partly liquidated to ensure compliance with the applicable risk management policy.

b. Commission rate risk

Commission rate risk is the uncertainty of future earnings resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to commission rate adjustment within a specified period. The Group`s assets are subject to fixed rate commission income. The Group does not have any commission bearing liabilities. The Group`s future earnings are not exposed to commission rate risk.

c. Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, Kuwaiti Dinar, Sterling Pound and US Dollars. Management monitors the fluctuations in currency exchange rates and believes that the Group is not exposed to significant foreign exchange risk.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

d. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can arise by market disruptions, which may cause certain sources of funding to be unavailable. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

e. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are carried at fair values, management believes that the fair values of the Group's remaining financial assets and liabilities are not materially different from their carrying values.

25. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors on 02 Rajab 1439 H corresponding to 19 March 2018 G.