Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
For the year ended 31 December 2018

INDEX	**PAGE**
Independent auditor's report	1-3
Statement of financial position	4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 40

Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Head Office
Al Faisaliah Office Tower - 14th floor
King Fahad Road
PO Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

Registration No. 45/11/323
C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

riyadh@sa.ey.com
www.ey.com/mena

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Mizuho Saudi Arabia Company - a Saudi Closed Joint Stock Company - (the "Company"), which comprise of the statement of financial position as at 31 December 2018, and statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants and the provisions of Companies' Law and Company's Bylaws, 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 financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY) - (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures 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 Company'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 Company to cease to continue as a going concern.

Building a better working world

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MIZUHO SAUDI ARABIA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)- (continued)

Auditor's Responsibilities for the Audit of the Financial Statements - (continued)

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

We communicate with management 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.

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No 427

Riyadh: 18 Rajab 1440H
(25 March 2019)

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at

	Notes	*31 December 2018*	*31 December 2017* Restated (Note 8)	*1 January 2017* Restated (Note 8)
		SR	*SR*	*SR*
ASSETS				
Non-current assets				
Property, plant and equipment	9	**343,275**	586,231	548,950
Intangible assets	10	**140,908**	177,666	-
Deferred tax assets	17	**286,195**	369,391	12,542
Long term receivables	11	-	-	497,320
Total non-current assets		**770,378**	1,133,288	1,058,812
Current assets				
Receivables, prepayments and other assets	11	**1,497,183**	2,966,789	1,608,162
Cash and short-term deposits	12	**63,713,959**	54,408,378	53,961,135
Total current assets		**65,211,142**	57,375,167	55,569,297
TOTAL ASSETS		**65,981,520**	58,508,455	56,628,109
EQUITY AND LIABILITIES				
Equity				
Share capital	19	**75,000,000**	75,000,000	75,000,000
Accumulated losses		**(14,752,056)**	(18,950,946)	(20,959,435)
Other reserve	13	**386,587**	(30,681)	-
Total equity		**60,634,531**	56,018,373	54,040,565
Non-current liability				
Employee defined benefit liabilities	13	**640,831**	1,247,382	972,528
Current liabilities				
Trade and other payables	14	**3,667,490**	877,513	599,791
Contract liabilities	15	**285,181**	-	480,673
Taxation	17	**753,487**	365,187	534,552
Total current liabilities		**4,706,158**	1,242,700	1,615,016
TOTAL LIABILITIES		**5,346,989**	2,490,082	2,587,544
TOTAL EQUITY AND LIABILITIES		**65,981,520**	58,508,455	56,628,109

The accompanying notes from 1 to 24 form an integral part of these financial statements

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	***2018*** ***SR***	*2017* *Restated* *(Note 8)* *SR*
Advisory revenue		**19,370,195**	9,506,442
Special commission income		**1,002,486**	550,458
TOTAL INCOME		**20,372,681**	10,056,900
General and administrative expenses	16	**(15,068,319)**	(7,947,710)
Depreciation and amortization		**(279,714)**	(223,307)
Other income		**-**	120,000
Profit before taxation		**5,024,648**	2,005,883
Taxation	17	**(825,758)**	2,606
Profit for the year		**4,198,890**	2,008,489
Other comprehensive income/ (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employee defined benefit liabilities	13	**417,268**	(30,681)
Total comprehensive income for the year		**4,616,158**	1,977,808

The accompanying notes from 1 to 24 form an integral part of these financial statements

Mizuho Saudi Arabia Company
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital SR	Accumulated losses SR	Other reserve (note 13) SR	Total SR
As at 1 January 2018 (restated see note 8)	75,000,000	(18,950,946)	(30,681)	56,018,373
Profit for the year	-	4,198,890	-	4,198,890
Other comprehensive income	-	-	417,268	417,268
Total comprehensive income	-	4,198,890	417,268	4,616,158
As at 31 December 2018	**75,000,000**	**(14,752,056)**	**386,587**	**60,634,531**
As at 1 January 2017 (restated see note 8)	75,000,000	(20,959,435)	-	54,040,565
Profit for the year	-	2,008,489	-	2,008,489
Other comprehensive loss	-	-	(30,681)	(30,681)
Total comprehensive income	-	2,008,489	(30,681)	1,977,808
As at 31 December 2017 (restated see note 8)	75,000,000	(18,950,946)	(30,681)	56,018,373

The accompanying notes from 1 to 24 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December

	2018 *SR*	*2017* *SR*
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income before income tax	**5,024,648**	2,005,883
Depreciation	**242,956**	217,180
Amortization of intangible assets	**36,758**	6,127
Gain on disposal of property, plant and equipment	**-**	(115,000)
Employee defined benefit liabilities, net	**(189,283)**	244,173
Operating cash flows before movements in working capital	**5,115,079**	2,358,363
Movements in working capital		
Receivables, prepayments and other assets	**1,469,606**	(861,307)
Trade and other payables	**2,105,943**	(1,411,364)
Contract liabilities	**285,181**	-
Income tax paid	**(354,262)**	(523,608)
Net cash generated from (used in) operating activities	**8,621,547**	(437,916)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**-**	(254,461)
Addition of intangible assets	**-**	(183,793)
Proceeds on disposal of property, plant and equipment	**-**	115,000
Net cash used in investing activities	**-**	(323,254)
CASH FLOWS FROM FINANCING ACTIVITIES		
Expenses paid on behalf of the company	**684,034**	1,208,413
Net cash from financing activities	**684,034**	1,208,413
Increase in cash and short-term deposits	**9,305,581**	447,243
Cash and short-term deposits at the beginning of the year	**54,408,378**	53,961,135
Cash and short-term deposits at the end of the year	**63,713,959**	54,408,378

The accompanying notes from 1 to 24 form an integral part of these financial statements

1. GENERAL INFORMATION

Mizuho Saudi Arabia Company (the "Company") is a Saudi joint stock company incorporated based on Ministerial Resolution number 51 dated 20 Safar 1430 H (corresponding to 15 February 2009). The Company is registered with the Capital Market Authority ("CMA") under license numbered 11158-30. It operates in the Kingdom of Saudi Arabia under commercial registration number 1010263572 dated 6 Rabi Awal 1430H (corresponding to 3 March 2009). Further the Company has also obtained a license from the Saudi Arabian General Investment Authority (license number 1398/1 dated 23 Dhul Hijjah 1429H) (corresponding to 21 December 2008). The registered office is located at North lobby 1st floor, Al Faisaliah Tower, King Fahad Road, Riyadh 11544, KSA.

The Company is solely authorised to conduct the activities of arranging and advising in securities business.

The financial statements were authorised for issue in accordance with a resolution of the directors on 21 March 2019.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia. The financial statements for the year ended 31 December 2018 are the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants ("IFRS") and IFRS 1 "First-time Adoption" of International Financial Reporting Standards has been applied.

For all periods up to and including the year ended 31 December 2017, the Company prepared its annual financial statements in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia ("SOCPA"). Refer to note 8 for information on how the Company's financial statements are impacted upon the adoption of IFRS.

3. IFRS ISSUED BUT NOT YET EFFECTIVE

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effects of changes in facts and circumstances	1 January 2019
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 28 *Investment in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2022.	1 January 2022
Amendments to IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments.	1 January 2019

3. IFRS ISSUED BUT NOT YET EFFECTIVE (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable. The adoption of these new standards, interpretations and amendments are not expected to have any material impact on the financial statements of the Company in the period of initial application.

Impact assessment of IFRS 16 Leases

IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for leases. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Company will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

Management has set up a project team which has reviewed the company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. As at the reporting date, the company has non-cancellable operating lease commitments of SR 904,705 see note 20. These commitments relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss

Early adoption of IFRS

The Company has not early adopted any Standards or Interpretations.

4. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a 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 in the contract: A performance obligation is a promise in a contract with a customer to transfer goods or services to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company 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 to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
When the Company satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

The Company recognises as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue is recorded net of returns, trade discounts, volume rebates, estimates of other variable consideration and amounts collected on behalf of third parties.

Consideration payable to a customer is recognised as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for distinct goods or services that the customer transfers to the Company. If consideration payable to the customer is a payment for distinct goods or services from the customer, then the Company records such a purchase of goods or services in the same way that it accounts for other purchases from suppliers.

Other income is recognised when earned.

Employees' defined benefit obligations

Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, and child education allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented in accounts payable, accruals and other current liabilities in the statement of financial position.

Post-employment obligation

Defined benefit plans
The Company primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligations ("DBO") are re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

DBO costs for interim periods are calculated on a year-to-date basis using the actuarially determined pension cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the interim period, consideration is given to re-measure such liabilities.

In certain countries, the post-employment benefits plans may be unfunded. Valuations of the obligations under these plans are carried out by independent actuaries based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of comprehensive income while unwinding of the liability at discount rates used are recorded as a financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

In the Kingdom of Saudi Arabia, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor and Workmen Law as well as the Company policy.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Value added tax
Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on a current / non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision is met.

The cost less estimated residual value of property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets, effective from the date when it was available for use.

The Company applies the following annual rates of depreciation to its property, plant and equipment:

Leasehold improvements	10%
Furniture and fixtures	20%
Computer hardware	20%
Motor vehicles	20%

An item of property, plant and equipment and any significant part initially recognised is derecognised 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 statement of profit or loss when the asset is derecognised.

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 20% to its computers' software.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized

Impairment of tangible and intangible assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, Cash and short-term deposits consist of cash and short-term deposits, as defined above, all of which are available for use by the Company unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions and balances
Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

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

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

Financial assets
All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortized cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Debt instruments that meet the following conditions are subsequently measured at Fair Value Through Other Comprehensive Income ("FVTOCI"):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

By default, all other financial assets are subsequently measured at Fair Value Through Profit or Loss ("FVTPL").

Despite the above, the Company may make the following irrevocable election / designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss ("ECL") for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with the globally understood definition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than one year past due for financial assets due from private sector customers and more than five years past due from government customers unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower
- a breach of contract, such as a default or past due event
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due for private sector customers and five years past due for government sector customers, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.
However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities subsequently measured at amortized cost
Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Leasing
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement. The Company does not have any finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Statutory reserve
In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after deducting losses brought forward in each year until it has built up a reserve equal to 30% of the capital. The Company has not recorded any transfer for the year due to the losses incurred.

Other reserve
Other reserve represents re-measurement amounts of actuarial gains and losses on the defined benefits obligation, if any, for the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements

In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

Estimation uncertainty and assumptions

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

Impairment of trade receivables

The Company reviews its trade receivables at each reporting date to assess whether an allowance for doubtful debts should be recorded in the statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Economic useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated based on the economic lives of the property, plant and equipment and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property, plant and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on Discounted Cash flow model (DCF). The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employees' terminal benefits

The cost of end of service benefit plans and the present value of end of service benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Employees' terminal benefits (continued)
In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least a AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Estimates
At the reporting date, gross receivables were nil (31 December 2017: SR 498,537; 1 January 2017: SR 1,166,867 million) with SR nil (31 December 2017: SR nil; 1 January 2017: SR nil) being provided for allowance of doubtful debts. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

6. IMPACT OF ADOPTION OF IFRS 9

The Company has adopted IFRS 9, using the modified retrospective transitional method, and has used the exemption contained therein allowing it not to restate comparative information for prior periods presented with respect to the changes resulting from the measurement of financial assets and financial liabilities.

Any differences in the carrying amounts of financial assets and financial liabilities, resulting from the adoption of IFRS 9 would be recognized in the opening retained earnings as at January 1, 2018. Accordingly, the financial information presented as at December 31, 2017 and January 1, 2017 does not reflect the requirements of IFRS 9 and therefore would not be comparable to the financial information presented for the 2018 financial year under IFRS 9 if there was a financial impact on the adoption of IFRS 9.

6.1 Reconciliation of carrying amounts under SOCPA to carrying amounts under IFRS 9

	Amounts previously reported under SOCPA SR	**Effect of adoption of IFRS 9 SR**	**IFRS 9 carrying amount as at 1 January 2018 SR**
Financial assets			
Trade and other receivables	2,966,789	-	2,966,789
Cash and short-term deposits	54,408,378	-	54,408,378
Total financial assets	57,375,167	-	57,375,167

6.2 Reconciliation of accumulated losses as at 1 January 2018

	SR
Accumulated losses as at 31 December 2017 as per SOCPA	(18,713,081)
Impact of adoption of IFRS 9	-
Accumulated losses as at 1 January 2018	(18,713,081)

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Company's financial statements are described below.

6. IMPACT OF ADOPTION OF IFRS 9 (continued)

6.2 Reconciliation of accumulated losses as at 1 January 2018 (continued)

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2017. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that have not been derecognized as at January 1, 2017 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2017. Comparative amounts in relation to instruments that have not been derecognized as at January 1, 2017 have been restated where appropriate.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost.

Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

In the current year, the Company has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 31 December 2017 based on the facts and circumstances that existed at that date and concluded that financial assets classified as loans and receivables under IAS 39 that were measured at amortized cost would continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss ("ECL") model to be used as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on debt investments subsequently measured at amortized cost or at FVTOCI. In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 month ECL. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

As at 1 January 2018, the directors of the Company reviewed and assessed the Company's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized, and compared that to the credit risk as at 1 January 2018.

6. IMPACT OF ADOPTION OF IFRS 9 (continued)

6.2 Reconciliation of accumulated losses as at 1 January 2018 (continued)

Impairment of financial assets (continued)

The results of the assessment are as follows:

Item subject to impairment provisions of IFRS 9	Notes	Credit risk attributes	Cumulative additional loss allowance as at 1 January 2018 SR
Trade and other receivables	11	The Company applies the simplified approach and recognizes lifetime ECL for these assets.	-
Due from related parties	18	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have a low credit risk. Accordingly, the Company recognizes lifetime ECL for these loans until they are derecognized.	-
Cash and short term deposits	12	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions.	-

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

7. IMPACT OF ADOPTION OF IFRS 15

The adoption of IFRS 15 Revenue from Contracts with Customers has not had any impact on the amounts reported in these financial statements except for a reclassification of contract liabilities from trade and other payables for an amount of SR 480,673 which represents advanced payments from customers - as at 1 January 2017 - which had been subsequently recognized as revenue in the following period as shown in note 8.

8. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

8.1 Impact of adoption of IFRS on the Statement of Financial Position as at 1 January 2017

	Notes	Amounts previously reported under SOCPA SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
Non-current assets				
Property, plant and equipment		548,950	-	548,950
Deferred tax assets	b	-	12,542	12,542
Long term receivables	c	-	497,320	497,320
Total non-current assets		548,950	509,862	1,058,812
Current assets				
Trade and other receivables	c	2,105,482	(497,320)	1,608,162
Cash and short-term deposits		53,961,135	-	53,961,135
Total current assets		56,066,617	(497,320)	55,569,297
TOTAL ASSETS		56,615,567	12,542	56,628,109
Equity				
Share capital		75,000,000	-	75,000,000
Accumulated losses		(20,736,687)	(222,748)	(20,959,435)
Total equity	8.3	54,263,313	(222,748)	54,040,565
Non-current liability				
Employee defined benefit liabilities	d	694,093	278,435	972,528
Current liabilities				
Trade and other payables	e	1,080,464	(480,673)	599,791
Contract liabilities	e	-	480,673	480,673
Taxation payable		534,552	-	534,552
Deferred tax liability	b	43,145	(43,145)	-
Total current liabilities		1,658,161	(43,145)	1,615,016
Total liabilities		2,352,254	235,290	2,587,544
TOTAL EQUITY AND LIABILITIES		56,615,567	12,542	56,628,109

8. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

8.2 Impact of adoption of IFRS on the Statement of Financial Position as at 31 December 2017

	Notes	Amounts previously reported under SOCPA SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
Non-current assets				
Property, plant and equipment	a	763,897	(177,666)	586,231
Intangible assets	a	-	177,666	177,666
Deferred tax assets	b	-	369,391	369,391
Total non-current assets		763,897	369,391	1,133,288
Current assets				
Trade and other receivables		2,966,789	-	2,966,789
Deferred tax assets	b	302,255	(302,255)	-
Cash and short-term deposits		54,408,378	-	54,408,378
Total current assets		57,677,422	(302,255)	57,375,167
TOTAL ASSETS		58,441,319	67,136	58,508,455
Equity				
Share capital		75,000,000	-	75,000,000
Accumulated losses		(18,713,081)	(237,865)	(18,950,946)
Other reserves		-	(30,681)	(30,681)
Total equity	8.3	56,286,919	(268,546)	56,018,373
Non-current liability				
Employee defined benefit liabilities	d	911,700	335,682	1,247,382
Current liabilities				
Trade and other payables		877,513	-	877,513
Taxation payable		365,187	-	365,187
Total current liabilities		1,242,700	-	1,242,700
Total liabilities		2,154,400	335,682	2,490,082
TOTAL EQUITY AND LIABILITIES		58,441,319	67,136	58,508,455

8. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

8.3 Impact of adoption of IFRS on total equity

	Notes	31 December 2017 SR	1 January 2017 SR
Total equity reported under SOCPA		56,286,919	54,263,313
Actuarial value of employee defined benefit liabilities	d	(335,682)	(278,435)
Deferred taxation on the above	b	67,136	55,687
Total equity under IFRS		56,018,373	54,040,565

8.4 Effect of IFRS adoption on the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2017

	Notes	Amounts previously reported under SOCPA SR	Effect of transition to IFRS SR	Amounts reported under IFRS SR
Revenue		10,056,900	-	10,056,900
General and administrative expenses	d	(7,921,144)	(26,566)	(7,947,710)
Depreciation and amortization		(223,307)	-	(223,307)
Other income		120,000	-	120,000
Net profit before taxation		2,032,449	(26,566)	2,005,883
Taxation	b	(8,843)	11,449	2,606
Net profit for the year		2,023,606	(15,117)	2,008,489
Other comprehensive loss, net of taxation				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of employee defined benefit liabilities	d	-	(30,681)	(30,681)
Total comprehensive income for the year		2,023,606	(45,798)	1,977,808

8. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

8.5 Reconciliation of total comprehensive income for the year ended 31 December 2017

	Notes	Net profit before taxation SR	Net profit for the year SR
Net profit reported under SOCPA		2,032,449	2,023,606
Actuarial value of employee defined liabilities	d	(26,566)	(26,566)
Deferred taxation on the above	b	-	11,449
Net profit reported under IFRS		2,005,883	2,008,489
Other comprehensive loss, net of taxation	b,d		(30,681)
Total comprehensive income for the year under IFRS			1,977,808

8.6 Effect of IFRS adoption on the statement of cash flows for the year ended 31 December 2017

	Amounts previously reported under SOCPA SR	Effect of transition to IFRS SR	Amounts reported under IFRS SR
Net cash flows used in operating activities	(437,916)	-	(437,916)
Net cash flows used in investing activities	(323,254)	-	(323,254)
Net cash flows from financing activities	1,208,413	-	1,208,413
Net increase in Cash and short-term deposits	447,243	-	447,243
Cash and short-term deposits at the beginning of the year	53,961,135	-	53,961,135
Cash and short-term deposits at the end of the year	54,408,378	-	54,408,378

8. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (continued)

8.7 Notes to the reconciliations

a) Reclassification of computer software from property, plant and equipment to intangible assets in order to comply with IAS 38 Intangible Assets.

b) Remeasurement of deferred taxation as a result of the adjustment referred to in d.

c) Reclassification of trade receivables expected to be recovered in more than one year from the reporting date from current assets to non-current assets in order to comply with IAS 1 Presentation of Financial Statements.

d) IAS 19 Employee Benefits requires that defined long-term employee benefits be actuarially valued. The Company's liability for End of Service Benefits ("EOSB") is therefore required to be actuarially valued. The Company previously determined its liability for EOSB based on the requirements of Saudi Arabian Labor Law. The effect of this change is a decrease in equity of SR 278,435 and SR 335,682 as at January 1, 2017 and 31 December 2017 respectively and an increase in the loss for the year of SR 26,566. The actuarial loss of SR 30,681 resulting from the remeasurement of the employee defined benefit liabilities has been recorded in other comprehensive loss in accordance with the requirements of IAS 19.

e) Reclassification of contract liabilities from trade and other payables in order to comply with IFRS 15 Revenue from Contracts with Customers (see note 7).

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements SR	*Furniture and fixtures* SR	*Computer hardware* SR	*Vehicles* SR	***Total 2018*** ***SR***	*Total 2017* SR
Cost:						
At the beginning of the year	1,583,099	323,579	1,056,672	408,550	**3,371,900**	3,514,419
Additions	-	-	-	-	-	254,461
Disposals	-	-	-	-	-	(396,980)
At end of the year	1,583,099	323,579	1,056,672	408,550	**3,371,900**	3,371,900
Depreciation:						
At beginning of the year	1,292,864	317,186	970,064	205,555	**2,785,669**	2,965,469
Charge for the year	158,310	960	38,576	45,110	**242,956**	217,180
Disposals	-	-	-	-	-	(396,980)
At end of the year	1,451,174	318,146	1,008,640	250,665	**3,028,625**	2,785,669
Net book value:						
At 31 December 2018	**131,925**	**5,433**	**48,032**	**157,885**	**343,275**	
At 31 December 2017	290,235	6,393	86,608	202,995		586,231

10. INTANGIBLE ASSETS

	Software *SR*	***Total 2018 SR***	*Total 2017 SR*
Cost:			
At the beginning of the year	1,268,127	**1,268,127**	1,084,334
Additions	-	-	183,793
At end of the year	1,268,127	**1,268,127**	1,268,127
Amortization:			
At beginning of the year	1,090,461	**1,090,461**	1,084,334
Charge for the year	36,758	**36,758**	6,127
At end of the year	1,127,219	**1,127,219**	1,090,461
Net book value:			
At 31 December 2018	**140,908**	**140,908**	
At 31 December 2017	177,666		177,666

11. RECEIVABLES, PREPAYMENTS AND OTHERS

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Trade receivables	-	498,537	1,166,867
Allowance for doubtful debts	-	-	-
Net trade receivables	-	498,537	1,166,867
Amount due from shareholder (note 18)	-	463,646	206,057
Accrued income	**702,778**	108,418	159,500
Prepayments	**588,308**	1,792,718	473,838
Deposits with others	**118,020**	103,470	99,220
VAT asset	**79,020**	-	-
Other assets	**9,057**	-	-
	1,497,183	2,966,789	2,105,482
Recoverable over one year	-	-	(497,320)
Recoverable within one year	**1,497,183**	2,966,789	1,608,162

11. RECEIVABLES, PREPAYMENTS AND OTHERS (continued)

Trade and long-term receivables

The average credit period granted is 30 days. No interest is charged on outstanding trade receivables. The Company has rendered arrangement services to one of its customers under the agreement of recovery of its fee in three annual installments. A receivable of SR 497,320 comprises the third installment expected to be received over one year. The Company has not discounted these receivables to present value due to the insignificance of the impact.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example when the debtor has been placed into liquidation or has entered into bankruptcy proceedings.

The fair value of trade and other receivables approximates their carrying value.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show a significantly different loss pattern for different customer segments, the allowances for doubtful debts based on past due status is not further distinguished between the Company's different customer types.

		Trade receivable – days past due				
	Not past due	<30	31-60	61-90	>90	Total
31 December 2018	SR	SR	SR	SR	SR	SR
Expected credit loss rate %						
Gross carrying amount	-	-	-	-	-	-
Lifetime ECL						
	-	-	-	-	-	-

		Trade receivable – days past due				
	Not past due	<30	31-60	61-90	>90	Total
31 December 2017	SR	SR	SR	SR	SR	SR
Expected credit loss rate %						
Gross carrying amount	498,537	-	-	-	-	498,537
Lifetime ECL						
	498,537	-	-	-	-	498,537

12. CASH AND SHORT-TERM DEPOSITS

	2018 ***SR***	*2017* *SR*
Time deposits with a local bank	**55,000,000**	45,000,000
Cash at bank & cash in hand	**8,713,959**	9,408,378
	63,713,959	54,408,378

Time deposits SR 55,000,000 (2017: SR 45,000,000) have an original maturity of three months or less when acquired. The effective commission rate on time deposits as at 31 December 2018 was 2.5% (2017:1.7%).

13. EMPLOYEE DEFINED BENEFIT LIABILITIES

	2018 ***SR***	*2017* *SR*
Balance at the beginning of the year	**1,247,382**	972,528
Current service cost	**339,956**	200,678
Interest cost	**44,064**	43,495
Actuarial (gain) loss	**(417,268)**	30,681
Benefit paid by the employer	**(573,303)**	-
Balance at the end of the year	**640,831**	1,247,382

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	31 December 2018	*31 December 2017*	*1 January 2017*
Discount rate	**5.25%**	4.50%	4.50%
Rate of salary increases	**5.00%**	5.00%	5.00%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial loss, which is recognized in other comprehensive income.

Movements in actuarial (gains) losses recognised in OCI are as follows:

	31 December 2018 ***SR***	*31 December 2017* *SR*
At the beginning of the year	**30,681**	-
Actuarial (gain) loss on the obligation	**(417,268)**	30,681
At the end of the year	**(386,587)**	30,681

13. EMPLOYEE DEFINED BENEFIT LIABILITIES (continued)

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	31 December 2018 SR	*31 December 2017 SR*
Increase in discount rate of 1%	**96,706**	137,081
Decrease in discount rate of 1%	**(120,314)**	(164,446)
Increase in rate of salary increase of 1%	**(119,365)**	(161,898)
Decrease in rate of salary increase of 1%	**97,748**	137,683

14. TRADE AND OTHER PAYABLES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Accrued expenses	**3,582,035**	787,739	506,539
Other Payables	**85,455**	89,774	93,252
	3,667,490	877,513	599,791
Analyzed between:			
Current Liabilities	**3,667,490**	877,513	599,791
Non-Current Liabilities	-	-	-
Current trade and other payables	**3,667,490**	877,513	599,791

15. CONTRACT LIABILITIES

	31 December 2018 SR	*31 December 2017 SR*	*1 January 2017 SR*
Contract liabilities			
Current	**285,181**	-	480,673
Non-current	-	-	-
Total contract liabilities	**285,181**	-	480,673

Contract liabilities represents the obligation to perform services to a customer for which consideration has been received from the customer. In 2018, Mizuho Saudi Arabia Company has signed contracts with Mizuho Securities Japan (MHSC) and Mizuho Corporate Bank Japan (MHCB) to provide consultancy and advisory services for which service fees have been received in advance.

16. GENERAL AND ADMINSITRATIVE EXPENSES

	2018 *SR*	*2017* *SR*
Employees benefits	**10,221,950**	5,123,589
Professional Fees	**879,329**	607,986
Rent	**618,120**	618,120
Travelling and Meeting	**587,848**	490,468
Withholding Tax	**220,480**	220,921
IT and Information	**140,219**	203,934
Insurance Cost	**17,778**	15,866
Advertisement	**6,500**	6,500
Other	**2,376,095**	660,326
	15,068,319	7,947,710

17. TAXATION

17.1 Income Tax

	2018 *SR*	*2017* *SR*
Current taxation-current year	**742,562**	354,243
Deferred tax adjustment for the year (see note (17.2))	**83,196**	(356,849)
	825,758	(2,606)

The current year provision is based on 20% of the adjusted taxable profit. Differences between the financial and taxable profit are mainly due to provisions and certain expenses which are disallowed for tax purposes.

The movement in income tax payable is as follows:

	2018 *SR*	*2017* *SR*
Balance at beginning of the year	**365,187**	534,552
Charged to profit or loss	**742,562**	354,243
Paid during the year	**(354,262)**	(523,608)
Balance at end of the year	**753,487**	365,187

17. TAXATION (continued)

17.2 Deferred Tax

The Company has recognized deferred tax at the balance sheet date, in respect of timing differences due to disallowance of the employee's defined benefit and differences in the basis of depreciation calculated at an income tax rate of 20%.

Movement in deferred tax asset during the year is

	2018 ***SR***	*2017* *SR*
At the beginning of the year	**369,391**	12,542
Adjustment made during the year	**(83,196)**	356,849
At the end of the year	**286,195**	369,391

Comprising of:

	2018 ***SR***	*2017* *SR*
Accelerated depreciation	**158,029**	119,915
Employee defined benefit liabilities	**128,166**	249,476
	286,195	369,391

Status of assessments

The Company has filed its tax declarations with the General Authority for Zakat and Tax (GAZT) up to the year ended 31 December 2017. No assessment has been raised by the GAZT as yet.

18. RELATED PARTY INFORMATION

The following are the details of the significant transactions with related parties during the year:

Related party	***Nature of transaction***	***31 December 2018 SR***	*31 December 2017 SR*	*1 January 2017 SR*
Shareholder	Advisory income	**19,077,082**	8,241,356	8,241,356
	Expenses and salaries paid on behalf of the Company	**684,034**	1,208,413	1,263,777

Terms and conditions of transactions with related parties

Sales to related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances as at year end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ending 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2017: nil, 1 January 2017: nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

The following balances were outstanding with related parties at the reporting date:

	31 December 2018 ***SR***	*31 December 2017* *SR*	*1 January 2017* *SR*
Amounts due from shareholder (note 11)	-	463,646	206,057

Compensation paid to key management personnel as short-term benefits during the year amounted to SR 1,512,954 (31 December 2017: SR 1,462,671).

19. SHARE CAPITAL

The authorized, issued and paid up share capital consists of 7.5 million shares of SR 10 each.

20. OPERATING LEASE ARRANGEMENTS

The Company incurred the following operating lease expenditure during the year:

	31 December 2018 SR	*31 December 2017 SR*
Office	**618,120**	618,120
Staff residence	**286,585**	419,580
	904,705	1,037,700

Non- cancellable operating lease commitments is as follows:

	31 December 2018 SR	*31 December 2017 SR*
Not later than one year	**499,683**	550,518
Later than one year but not later than five years	-	-
Later than five years	-	-
	499,683	550,518

21. FINANCIAL RISK MANAGEMENT

Capital management
The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

Market risk
The Company is exposed to market risk, in the form of currency and interest rate risk as described below, during the year under review. There were no changes in these circumstances from the previous year.

Foreign currency risk management
The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate and liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company did not have any exposure to movements in interest rates at the current or prior reporting date. Consequently, no interest rate sensitivity analysis has been presented.

21. FINANCIAL RISK MANAGEMENT (continued)

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows:

31 December 2018 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Trade and other payables	Interest free	**3,667,490**	-	-	**3,667,490**
		3,667,490	-	-	**3,667,490**

31 December 2017 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Trade and other payables	Interest free	877,513	-	-	877,513
		877,513	-	-	877,513

1 January 2017 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Trade and other payables	Interest free	599,791	-	-	599,791
		599,791	-	-	599,791

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2018, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

22. FAIR VALUE 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. 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 the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing an asset or a liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial assets 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.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company's financial assets consist of cash and short-term deposits, due from shareholders and trade receivables.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

Due to the short-term nature of the financial assets, the fair values of the financial assets are not materially different from their carrying values.

23. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

24. CONTINGENT LIABILITIES

The Company had no contingent liabilities in existence at the reporting date.