BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2018

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(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS,
BMG FINANCIAL GROUP
(A Saudi Closed Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying financial statements of "BMG Financial Group" - "The Company", which comprise the statement of financial position as at December 31, 2018, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes 1 to 20 thereon, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter stated in Basis of Qualified Opinion of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2018, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for certified Public Accountants (SOCPA).

Basis for qualified opinion

1) Due from related parties include amount due from shareholders amounting to SR 936,948. This is in contravention to the instructions issued by the Ministry of Commerce and Investment (Refer to Note 16).
2) Amount due from related parties amounting to SR 875,000 have been long overdue with no collections as at December 31, 2018. The Company has not reviewed the amount due from related parties for any probable impairment loss (Refer to Note 16).
3) The Company is in practice of filling its zakat and income tax returns on the basis of status of the company as a 100% Saudi company. Whereas, GAZT record shows the registration as a 100% foreign company. Therefore, the final zakat and income tax liability is subject to the updation and approval of legal status of the company with the GAZT as a 100% Saudi Company (Refer Note 15.3).

We conducted our audit in accordance with International Standards on Auditing ("ISAs") adopted in Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Ethical requirements that are relevant to our audit of the financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidences that we have obtained are sufficient and appropriate to provide a basis for our opinion.

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Emphasis of matter

1) As mentioned in Note 2, the accumulated losses of the Company SR 3,552,772, exceeds 50% of the share capital of the company as at December 31, 2018. Further, the shareholders have not fully complied with the requirements of the Companies Regulations, which become applicable when accumulated losses reach 50% of the share capital. This indicates that a material uncertainty exists regarding the Company's status as a going concern. However, to resolve this issue, subsequent to the year end, on March 4, 2019, the Board of Directors resolved to include an item, regarding share capital reduction from SR 5,000,000 to SR 2,500,000 and to offset this reduction against accumulated losses of the company, within the agenda of extraordinary general meeting. A no objection letter dated March 27, 2019 has also been received from the Capital Market Authority (CMA) to validate the inclusion of said share capital reduction item in the extraordinary general meeting. As a result, the Company's status as a going concern is subject to approval of share capital reduction in the extraordinary general meeting and subsequent completion of all the legal formalities in this respect.

2) Following documents in relation to the opeartions and legal status of the company are expired.

- The Company's Commercial Registration No. 1010256000 expired on Ramadan 07, 1439H (corresponding to May 22, 2018), Refer Note 1.1.
- The Company's Capital Market Authority ("CMA") License No. 07054-37 dated Safar 21, 1428H (March 11, 2007) as amended by CMA's Decision No. 2008225 expired on Shawwal 16, 1439 (corresponding to June 30, 2018), Refer Note 1.2.
- The Company's Saudi Arabia General Investments Authority's (SAGIA) license expired on Shawwal 29, 1432 (corresponding to September 27, 2011), Refer Note 1.3.

Our opinion is not modified in respect of the above matters, as the Company's management has initiated the process for the renwal and updation of all the above legal documents.

3) We also draw attention to Note 1.5, the new regulation for Companies Act was issued on Rajab 25, 1437H (corresponding to May 02, 2016) and effective as of April 20, 2017. The legal formalities for amending Company's Artciles of Association to align with the provisions of new regulations are still under process.

Other matter

The financial statements of the Company for the year ended December 31, 2017 were audited by another auditor who expressed a modified opinion on those statements on April 25, 2018 corresponding to Shaban 9, 1439H.

Responsibilities of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards applicable in Saudi Arabia, the Companies' Act Provisions and the company's Articles of Association, 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.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS,
BMG FINANCIAL GROUP
(A Saudi Closed Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Responsibilities of Management and those Charged with Governance for the Financial Statements (continue)

Upon preparation of 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 choice of an appropriate alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs adopted in 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 ISAs approved in Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence is sufficient and appropriate to provide a basis for our audit 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 auditors' 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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS,
BMG FINANCIAL GROUP
(A Saudi Closed Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditors' Responsibilities for the Audit of the Financial Statements (continue)

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

FOR EL SAYED EL AYOUTY & CO.

JEDDAH: April 09, 2019
04 Shaban 1440H

Mohamed El Sayed El Ayouty
Certified Public Accountant
License No. (211)

CERTIFIED PUBLIC ACCOUNTANTS
License No 35
EL SAYED EL AYOUTY & CO.

BMG FINANCIAL GROUP COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

Statement of financial position

Amounts are presented in Saudi Riyal, unless stated otherwise

	Note	December 31, 2018	December 31, 2017	January 01, 2016
Assets				
Non-current assets				
Property and equipment, net	7	195,598	245,594	345,892
Total non current assets		195,598	245,594	345,892
Current assets				
Trade receivables	8	1,243,354	771,954	1,717,867
Due from related parties	16	1,811,948	2,199,791	1,512,135
Prepayments and other receivables	9	151,469	118,557	120,809
Cash and cash equivalents	10	94,567	104,510	161,964
Total current assets		3,301,338	3,194,812	3,512,775
Total assets		3,496,936	3,440,406	3,858,667
Equity and liabilities				
Equity				
Share capital	11	5,000,000	5,000,000	5,000,000
Accumulated losses		(3,552,772)	(3,360,223)	(2,499,129)
Total equity		1,447,228	1,639,777	2,500,871
Liabilities				
Non-current liabilities				
Employees defined benefit obligations	13.1	518,436	427,549	287,638
Total non-current liabilities		518,436	427,549	287,638
Current liabilities				
Trade payables		47,352	68,626	69,326
Due to related parties	16	321,477	-	777,513
Dererred income	14	540,670	739,975	-
Accruals and other payables		372,047	388,765	168,999
Zakat payable	15	249,726	175,714	54,320
Total current liabilities		1,531,272	1,373,080	1,070,158
Total liabilities		2,049,708	1,800,629	1,357,796
Total equity and liabilities		3,496,936	3,440,406	3,858,667

The accompanying notes from (1) to (20) form an integral part of these financial statements.

BMG FINANCIAL GROUP COMPANY

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

Statement of profit and loss and other comprehensive income

Amounts are presented in Saudi Riyal, unless stated otherwise

	Note	December 31, 2018	December 31, 2017
Revenue		**3,277,305**	3,133,549
Less: Operating expenses			
General and administrative expenses	17	**(3,528,089)**	(3,735,156)
Provision for employee defined benefit obligations	13.2	**(89,044)**	(91,172)
Loss from operations		**(339,828)**	(692,779)
Other income		**234,468**	3,068
Net loss for the year		**(105,360)**	(689,711)
Other comprehensive income / (loss):			
Items not to be reclassified subsequently to profit or loss:			
Re-measurement of employees defined benefit obligations	13.3	**(13,177)**	(49,989)
Total comprehensive loss for the year		**(118,537)**	(739,700)
Loss per share:			
Number of shares	11	**500,000**	500,000
Net loss per share		**(0.21)**	(1.38)

The accompanying notes from (1) to (20) form an integral part of these financial statements.

Statement of changes in equity

Amounts are presented in Saudi Riyal, unless stated otherwise

	Note	Share Capital	Accumultaed Losses	Total
As at January 01, 2017	**19.1**	5,000,000	(2,499,129)	2,500,871
Total comprehensive loss for the year		-	(739,700)	(739,700)
Zakat and income tax charge for the year	**15.2**	-	(121,394)	(121,394)
As at December 31, 2017	**19.2**	5,000,000	(3,360,223)	1,639,777
Total comprehensive loss for the year			**(118,537)**	**(118,537)**
Zakat and income tax charge for the year	**15.2**		**(74,012)**	**(74,012)**
As at December 31, 2018		**5,000,000**	**(3,552,772)**	**1,447,228**

The accompanying notes from (1) to (20) form an integral part of these financial statements.

Statement of cash flows

Amounts are presented in Saudi Riyal, unless stated otherwise

	Note	2018	2017
OPERATING ACTIVITIES			
Net loss for the year		**(105,360)**	(689,711)
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation	7	**57,890**	113,258
Provision for doubtful debts	8.1	**400,000**	1,087,807
Provision for staff indemnities	13.2	**89,044**	91,172
		441,574	602,526
Changes in operating assets and liabilities			
Trade receivables		**(871,400)**	(141,894)
Due from related parties		**387,843**	(687,656)
Prepayments and other receivables		**(32,912)**	2,252
Trade payables		**(21,274)**	(700)
Due to related parties		**321,477**	(777,513)
Dererred income		**(199,305)**	739,975
Accruals and other payables		**(16,718)**	219,766
Staff indemnities paid	13.1	**(11,334)**	(1,250)
Net cash used in operating activities		**(2,049)**	(44,494)
INVESTING ACTIVITIES			
Addition to property and equipment	7	**(7,894)**	(12,960)
Net cash used in investing activities		**(7,894)**	(12,960)
Net decrease in cash and cash equivalents		**(9,943)**	(57,454)
Cash and cash equivalents at beginning of the year		**104,510**	161,964
Cash and cash equivalents at end of the year		**94,567**	104,510

The accompanying notes from (1) to (20) form an integral part of these financial statements.

Notes to the financial statements

Amounts are presented in Saudi Riyal, unless stated otherwise

1 General information

1.1 BMG Financial Group ("the Company") a Saudi closed joint stock company formed under the Regulation for Companies in the Kingdom of Saudi Arabia with Commercial Registration No. 1010256000 on Ramadan 7, 1429H (September 7, 2008) registered in Riyadh, expired on Ramadan 7, 1439 H (corresponding to May 22, 2018).

1.2 The Capital Market Authority ("CMA") issued License No. 07054-37 dated Safar 21, 1428H (March 11, 2007) as amended by CMA's Decision No. 2008225 on Jumada Al Thani 19, 1429H (June 23, 2008) expired on Shawal 16, 1439 H (Jun 30, 2018).

1.3 The Company obtained its Saudi Arabian General Investment Authority ("SAGIA") license No. 1052/2 dated Shaban 8, 1429 H (August 10, 2008), which has expired on Shawwal 29, 1432 (corresponding to September 27, 2011).

1.4 During the year ended 31 December 2016, the Company has entered into an agreement with its shareholder dated 13 Rajab 1437H corresponding to 20 April 2016, (Beltone Financial Holding S.A.E) wherein Beltone has transferred its shares to the local shareholders. The Company's management has initiated the legal process of transferring foreign shareholding to local shareholders which is not completed as at 31 December 2018. Accordingly, the management believe that no impact on the Company's license from Capital Market Authority's and its Commercial Registration.

1.5 The Ministry of Commerce and Investment commenced the implementation of the new Companies Regulations effective Rajab 25, 1437H corresponding to May 02, 2016 ("the effective date"). The new regulations shall replace the Companies Regulations promulgated by Royal Decree No. M/6 dated 22 Rabi Awwal 1385H and it shall supersede all provisions that are inconsistent therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their Article of Association to comply with the requirements of the provisions of the new companies regulations within a period of one year of the effective date of the companies regulations.

Legal formalities to amend Company's Article of Association according to new regulations are under process.

1.6 The principal activities of the Company are arranging and rendering financial advisory services.

The Company's registered office is located at Al Mukmal Plaza, Palestine Street, Al Hamra District, P.O Box 52972, Jeddah 21573. Kingdom of Saudi Arabia.

2 Going concern

As at December 31, 2018, the accumulated losses of the Company SR 3,552,772, exceeds 50% of the share capital of the company. Further, the shareholders have not fully complied with the requirements of the Companies Regulations, which become applicable when accumulated losses reach 50% of the share capital. This indicates that a material uncertainty exists regarding the Company's status as a going concern. However, to resolve this issue, subsequent to the year end, on March 4, 2019, the Board of Directors resolved to include an item, regarding share capital reduction from SR 5,000,000 to SR 2,500,000 and to offset this reduction against accumulated losses of the company, within the agenda of extraordinary general meeting. A no objection letter dated March 27, 2019 has also been received from the Capital Market Authority (CMA) to validate the inclusion of said share capital reduction item in the extraordinary general meeting. As a result, the Company's status as a going concern is subject to approval of share capital reduction in the extraordinary general meeting and subsequent completion of all the legal formalities in this respect.

3 Basis of preparation

3.1 Statement of compliance

These are the Company's first annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS 1 'First-time Adoption of International Financial Reporting Standards' as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA") as well as other standards and pronouncements endorsed by SOCPA.

For all periods up to and including the year ended December 31, 2017, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP").

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

3 Basis of preparation (continue)

3.1 Statement of compliance (continue)

An explanation of how the transition to IFRS has affected the previously reported financial position and equity as at 31 December 2017 and 1 January 2017 and comprehensive income for the year ended 31 December 2017 including the nature and effect of changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2017 are disclosed in Note 19.

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for employees defined benefit obligations which are measured using a simplified projected unit credit method.

3.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional and presentation currency of the Company.

3.4 Income and cash flow statements

The Company has elected to present statements of profit or loss and other comprehensive income in a single statement and presents its expenses by function.

The Company reports cash flows from operating activities using the indirect method.

4 Significant accounting estimates, assumptions and judgments

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

4.1 Key sources of estimation uncertainty

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

4.1.1 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit 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 a Discounted Cash Flow ("DCF") model.

The cash flows are derived from the budget for the next five years and do not include possible restructuring activities that the Company may commit to or significant future investments that may enhance the asset's performance of the Cash Generating Unit ("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.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

4 Significant accounting estimates, assumptions and judgments (continue)

4.1.2. Impairment of financial assets

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in statement of comprehensive income.

4.1.3. Long-term assumptions for employee benefits obligation

Post-employment defined benefits represent obligations that will be settled in the future and require assumptions to project obligations, if any. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates and employment turnover. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

4.1.4. Useful lives of property and equipment

The management determines the estimated useful lives property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

4.1.5. Contingent liabilities

Contingent liabilities are determined by the likelihood of occurrence or non-occurrence of one or more uncertain future events. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1.6. Zakat and income tax

The Company is subject to the legislation of General Authority of Zakat and Tax ("GAZT"). Accrual of Zakat is recognized in the statement of income. Additional zakat liability, calculated by Authorities, if any, related to prior years zakat declaration is recognized in the year in which final declaration is issued.

5 New and amended standards and interpretations and not yet effective

5.1. New and amended standards and interpretations

The Company has initially applied IFRS 9 (See Note 5.1.1) and IFRS 15 (See Note 5.1.2) from I January 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated as previously reported, except for additional disclosures under the new standards and separately presenting the impairment loss on trade receivables.

There is no material impact on the recognition criteria since the current Company policies are in line with the new accounting standards.

5.1.1 IFRS 9 – Financial Instruments: Recognition and Measurement

The Company has adopted IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from January 1, 2018. Accordingly, the Company had adjusted its accounting policies as a result of adopting IFRS 9 and adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented as a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Company's approach was to include the impairment of trade receivables in general and administrative expenses. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

5 New and amended standards and interpretations and not yet effective (continue)

5.1. New and amended standards and interpretations (continue)

5.1.1 IFRS 9 – Financial Instruments: Recognition and Measurement (continue)

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has no material effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. The Company has no such equity investments.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mis-match that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. The Company has no such assets.
Financial assets at amortized cost	These assets are subsequently Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. The Company has its financial assets under this category as disclosed in Note 19.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

5 New and amended standards and interpretations and not yet effective (continue)

5.1. New and amended standards and interpretations (continue)

5.1.1 IFRS 9 – Financial Instruments: Recognition and Measurement (continue)

Classification and measurement of financial assets and financial liabilities(continue)

Debts investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. The Company has no such investments.

Impairment of financial assets

1FRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The financial assets at amortized cost consist of short-term investment, bank balances, trade receivables, due from a related party and other assets.

Under IFRS 9, loss allowances are measured on either of the following bases:
- *12 month ECLs* : these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances and short term investments, for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs.

The Company has elected to measure loss allowances for trade receivables and other assets at an amount equal to lifetime ECLs.

The Company has elected to measure loss allowances for trade receivables and other assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECUs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial assets to be in default when:
- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 1 year past due.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

5 New and amended standards and interpretations and not yet effective (continue)

5.1. New and amended standards and interpretations (continue)

5.1.1 IFRS 9 – Financial Instruments: Recognition and Measurement (continue)

Impairment of financial assets (continue)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The. Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Off-setting

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

5.1.2 IFRS 15 - Revenue from Contract with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time requires judgement.

There is no impact of adopting IFRS 15 on the Company's statement of financial position as of 31 December 2018 and statements of profit or loss and comprehensive income for the year ended 31 December 2018. However, certain additional disclosures have been presented in these annual financial statements in line with the disclosure requirements under the new accounting standards.

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

5.2. Other standards and amendments issued by IASB effective, beginning on or after January 1, 2018

Standards/Interpretation	*Description*
IFRIC 22	Foreign Currency Translations and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40	Transfers of Investment Property
Annual Improvements to IFRS Standards 2014-2016	First-time Adoption and IAS 28 Investments in Associates and Joint Ventures

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

5 New and amended standards and interpretations and not yet effective (continue)

5.3. New and amended standards and interpretations not yet effective

The below International Financial Reporting Standards (IFRS), amendments to and interpretations of standards that are issued but not effective. The listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards, where applicable, when they become effective.

Standards/Interpretation	*Description*
IFRS 16 (*)	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation

(*) IFRS 16 in respect of leases which will be effective for accounting periods beginning on or after January 1, 2019. IFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between finance and operating leases is removed. Under this standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and low value leases.

6 Summary of significant accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those used in previous years except for the changes made (Ref note 3.1) in accordance with the International Financial Reporting Standards as endorsed by Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia ("KSA") as well as other standards and pronouncements endorsed by SOCPA. The significant accounting policies adopted for the preparation of these financial statements are as follows:

6.1. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Costs include all costs incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The rates used for the depreciation of property and equipment are as follows:

Assets categories	**Rates**
Office equipment	15%
Furniture and fixture	10%
Leasehold improvement	10%
Motor vehicles	20%

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in statement of comprehensive income, and included in 'other income'.

6.2. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- Classification and measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

6 Summary of significant accounting policies (continue)

6.2. Financial instruments (continue)

6.2.1 Financial assets

- Initial recognition and measurement

The Company classifies its financial assets in the following categories; trade receivables, cash and cash equivalents, due from related parties. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

- Trade and other receivables

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. The losses arising from impairment are recognised in the statement of comprehensive income.

- Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

- Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and cash in hand, all with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in bank net of outstanding bank overdrafts.

6.2.2 Financial liabilities

- Recognition and measurement

The Company's financial liabilities include trade payables, accruals, and other payables, loans and borrowings and due to related parties.

- Trade payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Company, whether billed by the supplier or not.

- loans and borrowings

Short term and long term loans are derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financing liability is replaced by another from the same lender on substantial different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Notes to the financial statements

Amounts are presented in Saudi Riyal, unless stated otherwise

6 Summary of significant accounting policies (continue)

6.3. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed (other than for goodwill) if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

6.4. Foreign currency translations and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income. The Company does not have non-monetary assets and liabilities denominated in foreign currencies.

6.5. Current versus non-current classification

The Company presents assets and liabilities in the financial statements based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- 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 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.

6.6 Revenue

The Company has initially applied IFRS 15 from 1 January 2018. The effect of initially applying IFRS 15 is described in Note 5.1.2.

6.7 Operating expenses

The nature of activities of the Company are such that direct costs cannot be specifically identified. Therefore, all the costs and charges are classified under operating expenses.

Notes to the financial statements

Amounts are presented in Saudi Riyal, unless stated otherwise

6 Summary of significant accounting policies (continue)

6.8 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable and material.

6.9 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

6.10 Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution.

6.11 Provisions

6.11.1 *General*

Provisions for customer claims are recognised when the Company has a present obligation (legal or constructive) as a result of past events it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect of time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

6.11.2 *Defined benefit plans*

The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employee's have earned in the current and prior periods.

The calculation of defined benefit obligation is performed annually by an in-house qualified expert using the projected unit credit method. The remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, is recognized immediately in other comprehensive income which are not reclassified to profit or loss in the subsequent periods. The Company determines the net interest expense on net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligations at the beginning of the annual period to the - then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expense related to defined benefit plan are recognized in the profit or loss.

6.11.3 Zakat and income tax

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Provision for zakat for the Company is charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

Notes to the financial statement

Amounts are presented in Saudi Riyal, unless stated otherwise

7 Property and equipment - net

	Office equipment	Furniture & fixtures	Leasehold improvement	Motor Vehicles	Total
Cost					
Balance as at January 1, 2017	915,227	237,806	402,930	799,540	2,355,503
Additions during the year	12,960	-	-	-	12,960
Written off	(71)	-	-	-	(71)
Balance as at December 31, 2017	**928,116**	**237,806**	**402,930**	**799,540**	**2,368,392**
Balance as at January 1, 2018	**928,116**	**237,806**	**402,930**	**799,540**	**2,368,392**
Additions during the year	**7,894**	-	-	-	**7,894**
Written off	**(12,962)**	-	-	-	**(12,962)**
Balance as at December 31, 2018	**923,048**	**237,806**	**402,930**	**799,540**	**2,363,324**
Accumulated depreciation					
Balance as at January 1, 2017	823,314	226,804	268,205	691,288	2,009,611
Depreciation for the year	33,579	3,156	17,292	59,231	113,258
Written off	(71)	-	-	-	(71)
Balance as at December 31, 2017	**856,822**	**229,960**	**285,497**	**750,519**	**2,122,798**
Balance as at January 1, 2018	**856,822**	**229,960**	**285,497**	**750,519**	**2,122,798**
Depreciation for the year	**15,186**	**1,234**	**17,107**	**24,363**	**57,890**
Written off	**(12,962)**	-	-	-	**(12,962)**
Balance as at December 31, 2018	**859,046**	**231,194**	**302,604**	**774,882**	**2,167,726**
Net book value on December 31, 2018	**64,002**	**6,612**	**100,326**	**24,658**	**195,598**
Net book value on December 31, 2017	**71,294**	**7,846**	**117,433**	**49,021**	**245,594**
Net book value on January 01, 2017	**91,913**	**11,002**	**134,725**	**108,252**	**345,892**

Notes to the financial statements

Amounts are presented in Saudi Riyal, unless stated otherwise

8 Trade receivables

	2018	2017
Trade receivables	**1,643,354**	1,859,761
Less: Provision for doubtful debts	**(400,000)**	(1,087,807)
	1,243,354	771,954

8.1 Movement in provision for doubtful debts:

	2018	2017
January 01,	**1,087,807**	-
Provided during the year	**400,000**	1,087,807
Written off during the year	**(1,087,807)**	-
December 31,	**400,000**	1,087,807

8.2 Aging of the trade receivables is as follow.

	2018	2017
Past due 1-120 days	**1,023,900**	305,000
Past due 121-365 days	**202,500**	66,954
Past due more than 365 days	**416,954**	1,487,807
	1,643,354	1,859,761

All trade receivables are unsecured and it is not the practice of the Company to obtain collaterals. Before accepting any customer, the management of the Company evaluates the credit quality of potential customers individually and defines maximum credit period and credit limits. The Company, based on its historical experience and collection trends, current market conditions and expected future cash flows, creates an provision for doubtful debts against its trade receivables.

9 Prepayments and other receivables

	2018	2017
Prepaid rent	**134,011**	109,813
Prepaid insurance	**6,534**	-
Employee advances	**10,924**	8,744
	151,469	118,557

10 Cash and cash equivalents

	2018	2017
Cash at bank	**93,701**	93,701
Cash in hand	**866**	10,809
	94,567	104,510

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

11 Share capital

The share capital of the company is divided into 500,000 (2017: 500,000) shares of SR 10/each, fully paid.

Partners	Nationality	Ownership	SR
Mr Mohammed Basil M. Al-Ghalayini	Saudi	37.8%	1,890,000
Mr. Mohammed Youssef M. Naghi	Saudi	2.6%	130,000
Mr. Khalifa Abdul Mohsen M Al Saif	Saudi	1.0%	50,000
Mr Abdul Hadi Ali Saif Shayef	Saudi	1.2%	60,000
Mr Waleed Soliman Abdul Mohsen Aba Numay	Saudi	1.2%	60,000
International Shores for Commercial Services	Saudi	21.0%	1,050,000
Mr Abdul Aziz Ibrahim M. Al Nabhan	Kuwaiti	5.2%	260,000
Beltone Financial Holding S.A.E	Egyptian	30.0%	1,500,000
		100.0%	5,000,000

The Company has entered into an agreement with its shareholder dated 13 Rajab 1437H corresponding to 20 April 2016, whereby Beltone Financial Holding S.A.E has transferred its shares to local shareholders. Legal formalities of this transfer have not yet completed as at 31 December 2018. The revised shareholding will be as follow:

Partners	Nationality	Ownership	SR
Mr Mohammed Basil M. Al-Ghalayini	Saudi	67.8%	3,390,000
Mr. Mohammed Youssef M. Naghi	Saudi	2.6%	130,000
Mr. Khalifa Abdul Mohsen M Al Saif	Saudi	1.0%	50,000
Mr Abdul Hadi Ali Saif Shayef	Saudi	1.2%	60,000
Mr Waleed Soliman Abdul Mohsen Aba Numay	Saudi	1.2%	60,000
International Shores for Commercial Services	Saudi	21.0%	1,050,000
Mr Abdul Aziz Ibrahim M. Al Nabhan	Kuwaiti	5.2%	260,000
		100.0%	5,000,000

12 Statutory reserves

As per the new Saudi Companies' Act, 10% of the annual net income is required to be set aside to statutory reserve. The company may discontinue such annual transfer upon the reserve reaching 30% of paid up capital. This reserve is not available for distribution.

13 Employees defined benefit obligations

13.1. The movement in employees defined benefit obligations are as follow.

	2018	2017
Balance as at January 1,	**427,549**	287,638
Current service cost	**78,783**	84,010
Interest cost	**10,261**	7,162
Loss due to change in assumptions	**13,177**	49,989
Payments made during the year	**(11,334)**	(1,250)
Balance as at December 31,	**518,436**	427,549

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

13 Employees defined benefit obligations (continue)

13.2 Employee defined benefit expense recognized in the statement of income is as follows:

	2018	2017
Current service cost	**78,783**	84,010
Interest cost	**10,261**	7,162
	89,044	91,172

	2018	2017
13.3 Loss due to change in assumptions recognized in the statement of other comprehensive income	**13,177**	49,989

13.4 Principal assumptions used in determining employees defined benefit obligations for the Company are as follows:

	2018	2017
Discount rate	**2.84%**	2.40%
Salary increment rate	**6.43%**	5.95%
Employee turnover rate	**14.00%**	14.00%
Expected retirement age	**60 years**	60 years

To simplify calculations periods have been rounded off in years, less than six months considered as zero year, over and equal to six months considered as one year.

14 Deferred income

	2018	2017
Deferred income (Note 14.1)	**540,670**	739,975

14.1 This represents disputed revenue for the prior years, will be taken to income statement on the final settlement with the respective customers and related parties. The details are as follow:

	2018	2017
Abdul Fateh Julaidan	-	49,305
Sarwat Printing and Publishing Company	-	150,000
Akar One - Affiliate	**375,000**	375,000
Aloula Geojit	**150,000**	150,000
Al Saamani Factory	**15,670**	15,670
	540,670	739,975

15 Zakat and income tax

15.1 Calculation of Zakat

	2018	2017
Capital and retained earnings	**2,772,376**	2,826,578
Adjusted net income / (loss)	**362,324**	967,673
Deduction for property and equipment	**(174,238)**	(245,594)
Zakat base	**2,960,462**	3,548,657
Zakat due @ 2.5%	**74,012**	88,716

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

15 Zakat and income tax (continue)

15.2. Movement in zakat and tax provision for the year

For the year ended December 31, 2018

	Zakat	Tax	Total
Balance at beginning of the year	120,390	55,324	175,714
Provided during the year	74,012	-	74,012
Payment during the year	-	-	-
	194,402	55,324	249,726

For the year ended December 31, 2017

	Zakat	Tax	Total
Balance at beginning of the year	(1,004)	55,324	54,320
Provided during the year	88,716	-	88,716
Adjustment relating to the prior years	32,678	-	32,678
Total charge for the year	121,394	-	121,394
Payment during the year	-	-	-
	120,390	55,324	175,714

15.3. Status of zakat

The Company is in practice of filling its zakat and income tax returns on the basis of status of company as a 100% Saudi company. Whereas, GAZT record shows the registration as a 100% foreign company. Therefore, the final Zakat and Income Tax liability is subject to the updation and approval of legal status of the company with GAZT as a 100% Saudi Company.

The zakat and tax returns for the year 2009 to 2017 are currently under review by the General Authority of Zakat and Tax (GAZT).

The Company is in the process of filling the zakat and tax return for the year ended 31 Decemeber 2018.

Notes to the financial statement

Amounts are presented in Saudi Riyal, unless stated otherwise

16 Related party transactions and balances

commercial terms that are approved by management. Transactions during the year-end with related parties and the related balances as of December 31 are as follows:

	Related party	Relationship	Nature of transactions	Amount of transaction 2018	Amount of transaction 2017	Closing balance 2018	Closing balance 2017
16.1	**Due from related parties**						
	Akar One	Affiliate	Advisory service	-	375,000	**375,000**	375,000
	International Shores for Commercial services	Share holder	Expenses paid	-	754,550	**926,918**	926,918
	BMG Financial Advisory	Affiliate	Advisory service	-	-	**500,000**	500,000
	Mr Mohammed Basil M Al Ghaliyani	Share holder	Expenses paid	**363,107**	-	-	387,843
	Belton Financial Holding	Share holder	Expenses paid	-	-	**10,030**	10,030
						1,811,948	2,199,791
16.2	**Due to related parties**						
	Mr Mohammed Basil M Al Ghaliyani	Share holder	Funds received on behalf of the Company	**2,437,500**	-	**(321,477)**	-
			Expesnes paid on behalf of shareholder	**272,890**	43,238		
			Expenses paid on behalf of the company	**(3,419,710)**	(392,566)		
			Advisory service to the shareholder	-	53,246		
						(321,477)	-

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

17 General and administration expenses

	2018	2017
Salaries and other employee benefits	**1,716,728**	1,693,908
Provision for doubtful debts	**400,000**	1,087,807
Professional fee	**470,139**	160,050
Rent	**284,148**	284,148
Traveling	**157,379**	109,738
Depreciation (Note - 7)	**57,890**	113,258
Communication	**61,103**	121,379
Membership fees	**67,000**	65,000
Repair and maintenance	**62,183**	51,182
Others	**251,519**	48,686
	3,528,089	3,735,156

18 Financial risk management

The Company's principal financial liabilities comprise of trade payables, other payables and due to related parties. The main purpose of these financial liabilities are to raise finance for the Company's operations. The Company has various financial assets such as cash and bank balances, trade receivables, prepayments and other receivables and due from related parties which arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company's policies and risk appetite. The management reviews and agrees policies for managing each of these risks, which are summarized below.

18.1 Interest rate risk

Interest rate risk is that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to interest rate risk on its interest bearing borrowings as at the statement of financial position date.

The management manages the Company's interest rate risk by monitoring change in interest rates in the currencies in which its interest bearing financial instruments are denominated, if applicable.

18.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The Company's financial liabilities include trade payables, due to related parties and certain other liabilities. All these financial liabilities are expected to be settled within 12 months of the reporting date and the Company expects to have adequate funds available to do so.

18.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year.

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

18 Financial risk management (continue)

18.4 Capital risk

The board's policy is to maintain and develop a strong and flexible capital base in order to maintain investor and creditor confidence. This is seen as important for the sustenance of future developments in the business and the maintenance of flexibility of capital management strategies.

19 Explanation of transition to International Financial Reporting Standards (IFRS) as applicable in Kingdom of Saudi Arabia.

As stated in note 3.1, these are the Company's first Financial Statements prepared in accordance with International Financial Reporting Standards as applicable in Kingdom of Saudi Arabia. The below tables show an explanation of as to how the transition to International Financial Reporting Standards has affected the reported financial position, financial performance and the cash flows of the Company.

19.1 Reconciliation of statement of financial position as at January 01, 2017 is as follow:

	Dec 31, 2016 Previous GAAP	Re-classifications	Re-measurement	Jan 01, 2017 IFRS
Assets				
Non-Current assets				
Property, plant and equipment	345,892	-	-	345,892
Total Non-Current assets	**345,892**	**-**	**-**	**345,892**
Current assets				
Trade receivables - net	1,717,867	-	-	1,717,867
Due from related parties	1,512,135	-	-	1,512,135
Prepaid expenses and other current	120,809	-	-	120,809
Cash and cash equivalents	161,964	-	-	161,964
Total current assets	**3,512,775**	**-**	**-**	**3,512,775**
Total assets	**3,858,667**	**-**	**-**	**3,858,667**
Liabilities and Partners' equity				
Partners' equity				
Capital	5,000,000		-	5,000,000
Accumulated losses (note 19.4)	(2,493,332)		(5,797)	(2,499,129)
Total partners' equity	**2,506,668**	**-**	**(5,797)**	**2,500,871**
Long-term liabilities				
Employee defined benefit obligation (note 19.4)	281,841		5,797	287,638
Total Long-term liabilities	**281,841**	**-**	**5,797**	**287,638**
Current liabilities				
Trade payables	69,326	-	-	69,326
Due to related parties	777,513	-	-	777,513
Accrued expenses and other payables (note 19.5)	223,319	(54,320)	-	168,999
Provision for zakat (note 19.5)	-	54,320	-	54,320
Total current liabilities	**1,070,158**	**-**	**-**	**1,070,158**
Total liabilities	**1,351,999**	**-**	**5,797**	**1,357,796**
Total liability and Partners' equity	**3,858,667**	**-**	**-**	**3,858,667**

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

19 Explanation of transition to International Financial Reporting Standards (IFRS) as applicable in Kingdom of Saudi Arabia. (continue)

19.2 Reconciliation of statement of financial position as at December 31, 2017 is as follow:

Assets	Dec 31, 2017 Previous GAAP	Re-classifications	Re-measurement	Dec 31, 2017 IFRS
Non-Current assets				
Property, plant and equipment	245,594	-	-	245,594
Total Non-Current assets	**245,594**	**-**	**-**	**245,594**
Current assets				
Trade receivables - net (note 19.5)	781,984	(10,030)	-	771,954
Due from related parties (note 19.5)	2,254,231	(54,440)	-	2,199,791
Prepaid expenses and other current	118,557	-	-	118,557
Cash and cash equivalents	104,510	-	-	104,510
Total current assets	**3,259,282**	**(64,470)**	**-**	**3,194,812**
Total assets	**3,504,876**	**(64,470)**	**-**	**3,440,406**
Liabilities and Partners' equity				
Partners' equity				
Capital	5,000,000	-	-	5,000,000
Accumulated losses (note 19.4)	(3,280,453)	-	(79,770)	(3,360,223)
Total partners' equity	**1,719,547**	**-**	**(79,770)**	**1,639,777**
Long-term liabilities				
Employee defined benefit obligations (note 19.4)	347,779	-	79,770	427,549
Due to related parties (note 19.5)	64,470	(64,470)		-
Total Long-term liabilities	**412,249**	**(64,470)**	**79,770**	**427,549**
Current liabilities				
Trade payables	68,626	-	-	68,626
Deferred income	739,975	-	-	739,975
Accrued expenses & other payables (note 19.5)	564,479	(175,714)	-	388,765
Provision for zakat (note 19.5)	-	175,714	-	175,714
Total current liabilities	**1,373,080**	**-**	**-**	**1,373,080**
Total liabilities	**1,785,329**	**(64,470)**	**79,770**	**1,800,629**
Total liability and Partners' equity	**3,504,876**	**(64,470)**	**-**	**3,440,406**

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

19 Explanation of transition to International Financial Reporting Standards (IFRS) as applicable in Kingdom of Saudi Arabia. (continue)

19.3 Reconciliation of statement of profit and loss and other comprehensive of income for the year ended December 31, 2017 is as follow:

	Dec 31, 2017 Previous GAAP	Re-classifications	Re-measurements	Dec 31, 2017 IFRS
Revenue	3,133,549	-	-	3,133,549
Cost of revenue (note 19.6)	(1,758,510)	1,758,510	-	-
Less: Operating expenses				
General and administrative expenses (Note 19.6)	(2,043,834)	(1,691,322)	-	(3,735,156)
Provision on employee defined benefit obligation (note 19.6 & 19.4)	-	(67,188)	(23,984)	(91,172)
Loss from operations	(668,795)	-	(23,984)	(692,779)
Other income	3,068	-	-	3,068
Net loss for the year	**(665,727)**	-	**(23,984)**	**(689,711)**
Other comprehensive income / (loss):				
Items not to be reclassified subsequently to profit or loss:				
Re-measurement of employees defined benefit obligations (note 19.4)	-	-	(49,989)	(49,989)
Total comprehensive loss	**(665,727)**	-	**(73,973)**	**(739,700)**

19.4 Employee defined benefit obligations

Under the previous GAAP, the Company recognized costs related to its employees defined benefit obligations in accordance with the Saudi Labor Law requirements. Under the IFRS, employee defined benefit obligations are recognized on actuarial basis. Accordingly, the difference between the liability determined under Saudi Labour Law requirements and actuarial basis prior to transition date has been recorded in the accumulated losses as at December 31, 2016. Remeasurements difference of employee defined benefit obligations for the year ended December 31, 2017 has been recorded in the statement of other comprehensive income.

Retrospective accumulated effect of transition adjustments prior to January 01, 2017 and December 31, 2017 is as follow:

Increase in employee defined benefit obligation & accumulated losses as at Dec 31, 2016 (note 19.1)	(5,797)
Increase in employee defined benefit obligation expense for the year ended Dec 31, 2017 (note 19.3)	(23,984)
Loss on remeasurements of employee defined benefit obligation for the year ended Dec 31, 2017 (note 19.3)	(49,989)
Net decrease in partners' equity and increase in employee defined benefit obligation up to December 31, 2017 (note 19.2)	(79,770)

Notes to the financial statements
Amounts are presented in Saudi Riyal, unless stated otherwise

19 Explanation of transition to International Financial Reporting Standards (IFRS) as applicable in Kingdom of Saudi Arabia. (continue)

19.5 Explanations for the re-classification of items in the statement of financial position:

	December 31, 2017	January 1, 2017
- Provision for Zakat taken out from notes (accrued expenses and other payables) to the face of financial position	(175,714)	(54,320)
- Provision of Zakat included in accrued expenses in the notes brought on the face of financial position as a separate line item	175,714	54,320
- Due to related parties offset against respective due from related parties & trade receivables	64,470	-
- Trade receivable credit balance wrongly included in related parties payable offset against respective accounts receivable	(10,030)	-
- Amount due to related parties offset against respective due from related parties	(54,440)	-
Effect on Equity	-	-

19.6 Explanation for the re-classification of items in the statement of other comprehensive income for the year ended December 31, 2017.

	2017
- Direct cost reported as per previous GAAP, re-classed to general and administrative expenses under operating expenses as per the Company's current operating expenses recognition policy	1,758,510
- Provision for employee defined benefit obligation shown as separate line item out of above	(67,188)
- Net amount re-classed to the general and administrative expenses	(1,691,322)
Effect on Equity	-

19.7 There is no impact of transition to the IFRS on the overall statement of cash flows prepared under the previous GAAP.

20 Approval of the financial statement

These financial statement has been approved by the board of directors of the Company as on April 09, 2019 corresponding to 4 Shaban, 1440 H.