Notes to the consolidated financial statements

For the year ended 31 December 2018
(Saudi Arabian Riyals)

1. GENERAL

Saudi Stock Exchange Company (Tadawul) ("the Company") is a Saudi Closed joint stock company registered in the Kingdom of Saudi Arabia established by Royal Decree No. M/15 dated 01/03/1428 H (corresponding to 20 March 2007). The share capital of the Company is SAR 1,200 Mn divided into 120 million shares of SAR 10 each fully subscribed by the Public Investment Fund ("PIF").

The Minister of Commerce and Industry resolution No. 320/k dated 1/12/1428 H (corresponding to 11 December 2007) was issued approving the license to establish the Company as a Saudi joint stock company. The Company was registered as a Saudi joint stock company in Riyadh under Commercial Registration number 1010241733 dated 2/12/1428 H (corresponding to 12 December 2007). All rights, assets, liabilities, obligations and records were transferred from Saudi Share Registration Company (a company which existed before the establishment of Tadawul) to the Company as at 30/11/1428 H (corresponding to 10 December 2007).

The Company's main activity is to provide, create and manage the mechanisms of trading of securities, providing depository and registration of securities ownership, dissemination of securities information and engage in any related other activity to achieve the objectives as defined in the Capital Market Law.

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as "the Group").

The Company's registered address is as follows:

6897, King Fahd Road – Al Ulaya
Unit Number: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia

Subsidiaries

Securities Depository Centre Company ("Edaa")

Capital Market Authority ("CMA") Board approved the formation of Securities Depository Centre Company ("Edaa") as a new Saudi joint stock company in the Kingdom of Saudi Arabia in accordance with the Capital Market Law issued by the Royal Decree No. M/30 dated 1424 H/02/06 (corresponding to 22 march 2003). Edaa was registered as a Saudi joint stock company in Riyadh under Commercial Registration No. 1010463866 dated 1437 H/11/27 (corresponding to 30 August 2016) with an authorized share capital of SAR 400 Mn divided into 40 million shares of SAR 10 each.

As at 31 December 2018 and 31 December 2017, the Company held 100 per cent of the issued share capital of Edaa. The main objective of Edaa is to provide depository and registration of securities ownership, and settlement services of securities.

Muqassa (Central Counterparty Clearing House)

During the year ended 31 December 2017, the Company's Board of Directors in their meeting dated 30 October 2017 under a decision number 03-04-2017/04-04-2017 approved the formation of a new company. Muqassa was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010935131 dated 02/06/1439 (corresponding to 18 February 2018) with an authorized share capital of SAR 600 Mn divided into 60 million shares of SAR 10 each.

As at 31 December 2018, the Company held 100 per cent of the issued share capital of Muqassa. The main objective of Muqassa is to provide, create and manage the mechanisms of trading of securities, providing settlement and clearing services of securities and engage in any related other activity to achieve the objectives as defined in the Capital Market Law.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's financial statements as at 31 December 2017 prepared in accordance with Generally Accepted Accounting Standards issued by SOCPA ("Previous GAAP"). Therefore, in these consolidated financial statements, the Company has included additional disclosures in accordance with IFRS 1 "First-time of International Financial Reporting Standards".

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "the Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its by-laws for any changes to align those with provisions of the Law. Consequently, the Company shall present its amended by-laws to stockholders in their Extraordinary General Assembly meeting for their ratification. The legal proceedings to amend the Company's by-laws are still under process.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Basis of measurement

These consolidated financial statements have been prepared on historical cost basis, except for financial assets measured at fair value through profit and loss and at amortized cost, and employees' end-of-service benefits, which are measured using actuarial techniques, using accrual basis of accounting and the going concern concept.

2.3 New standards, amendments, and standards issued:

New standards, amendment to standards, and interpretations:

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" from 1 January 2018; the effect of application of these standards have been fully explained in Note 3. A number of other new standards, amendments to standards are effective from 1 January 2018 but they do not have a material effect on the Group's consolidated financial statements.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. The following new standards and amendment to standards are not expected to have a significant impact on the Group's consolidated financial statements:

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.

(ii) Other amendments

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional and presentational currency of the Group. All amounts have been rounded to the nearest SAR.

2.5 Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires the Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about material assumptions and estimation uncertainties are as follows:

	Note
Useful lives of property and equipment	3.2
Useful lives of intangible assets	3.3
Allowance for impairment on investments at amortized cost	3.1
Allowance for credit losses on accounts receivables	3.1
Defined benefits obligations – Employees' end-of-service benefits	3.8 and 14
Provision for specific obligations	15

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below, these policies have been consistently applied to all the periods presented unless otherwise stated, where policies are applicable only on or from 1 January 2018, those policies have been particularly specified.

Basis of consolidation

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiaries (collectively referred to as "the Group"). Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In assessing control, potential voting rights that presently exercisable are taken into account. The financial statements of subsidiaries are included in the IFRS consolidated financial statements from the date that control commences until the date control ceases.

All transactions and resulting balances between the Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Adoption of new standards as at 1 January 2018

Effective 1 January 2018, the Group has adopted IFRS 15 – "Revenue from Contracts with Customers" and IFRS 9 – "Financial Instruments". The impact of the adoption of these standards is explained below:

IFRS 15 – Revenue from Contracts with Customers

The Group adopted IFRS 15 – "Revenue from Contracts with Customers" resulting in a change in the revenue recognition policy of the Group in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previous revenue guidance, which was found across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has assessed that the impact of IFRS 15 is not material on the consolidated financial statements of the Group as at the initial adoption and the reporting date.

IFRS 9 – Financial Instruments

Effective 1 January 2018, the Group has adopted IFRS 9 "Financial Instruments" issued in July 2014 with a date of initial application at 1 January 2018. Accounting policies and significant judgements and estimates relating to IFRS 9 are set out below. As permitted by IFRS 9, the Group has opted for the modified retrospective approach that does not require restatement of comparative reporting periods. Hence, comparative figures are presented under Previous GAAP. The difference in the carrying amount of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore are not comparable to the information presented for 2018 under IFRS 9.

3.1 Financial instruments

Policies applicable before 1 January 2018

Held-for-trading investments

Investment in trade securities which are purchased for trading purposes are initially recorded at cost and then remeasured and stated in the balance sheet at market value and included under current assets. Realized gain or loss on sale of trading securities and changes in market value at balance sheet date are credited or charged to consolidated statement of profit or loss.

Available-for-sale investments

Available-for-sale investments consist of quoted and unquoted equity investments including mutual funds' investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently remeasured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. On derecognition, any cumulative gain or loss

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

Policies applicable before 1 January 2018 (Continued)

Available-for-sale investments (Continued)

previously recognized in equity is included in the consolidated statement of income. Any significant and prolonged decline in fair value of the available-for-sale, if any, is charged to the statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, including investments in unquoted private equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same, otherwise the cost is considered to be the fair value for these investments.

Held-to-maturity investments

Investments having fixed or determinable payments and fixed maturity for which the Management has a positive intention and ability to hold to maturity are classified as held to maturity. Held-to-maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in their value. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired. These investments are classified in current assets if their maturity falls within twelve months from the balance sheet date and in non-current assets if their maturity after twelve months from the balance sheet date.

Account receivables

Account receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

Impairment of financial assets

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

Impairment is determined as follows:

(a) For asset carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of income.

(b) For asset carried at cost, impairment is the difference between carrying amount and the present value cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

For equity investments held as available-for-sale, a significant and prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss cannot be reversed through consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On derecognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the period.

Policies applicable from 1 January 2018

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification and measurement of financial assets

The adoption of IFRS 9 has not had a significant effect on the Group'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; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

Policies applicable before 1 January 2018 (Continued)

Policies applicable from 1 January 2018 (Continued)

(i) Classification and measurement of financial assets (Continued)

Financial assets at amortized cost

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

Financial assets at FVOCI

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- 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 amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

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 Group 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 mismatch 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 the consolidated statement of profit or loss.
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 the consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is 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.
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

Policies applicable before 1 January 2018 (Continued)

Policies applicable from 1 January 2018 (Continued)

(ii) Classification and measurement of financial liabilities

Financial liabilities at amortized cost are initially measured at fair value less transaction costs.

Subsequently, financial liabilities are measured at amortized cost, unless they are required to be measured at fair value through profit or loss or the Group has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

(iii) Derecognition

Financial assets

A financial asset is derecognized 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Financial liabilities

A financial liability is derecognized when its contractual obligations are discharged or cancelled, or expire.

(iv) Off-setting

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a currently legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

(v) Impairment of financial assets

IFRS 9 uses "expected credit loss" (ECL) model to assess for impairment of financial assets. 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.

Loss allowances for receivables are always measured at an amount equal to lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

At each reporting date, the Group 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivables and investments at amortized cost are presented in the consolidated statement of profit or loss.

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences arising due to change in classification and the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

  i. The determination of the business model within which a financial asset is held.

  ii. The designation and revocation of previously designated financial assets and financial liabilities as measured at FVTPL.

  iii. The designation of certain investments in equity instruments not held for trading as FVOCI.

  iv. For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2018
(Saudi Arabian Riyals)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

3.1.1 Impact of adopting of IFRS 9 at 1 January 2018

The following table and the accompanying notes below explain the original measurement categories under Previous GAAP and the new measurement categories under IFRS 9 for the class of the Group's consolidated financial assets as at 1 January 2018.

	Classification under previous GAAP	New classification under IFRS 9	Carrying amount under previous GAAP	Carrying amount under IFRS 9
Financial assets				
Investments	HFT/AFS	FVTPL	1,316,230,886	1,316,230,886
Investments	HTM	Amortized cost	1,276,626,376	1,275,089,448
			2,592,857,262	2,591,320,334
Cash and cash equivalents	Loans and receivables	Amortized cost	613,057,827	613,057,827
Account receivables, net	Loans and receivables	Amortized cost	26,916,210	26,890,379
Total financial assets			3,232,831,299	3,231,268,540
Financial liabilities				
Account payables	Amortized cost	Amortized cost	51,116,941	51,116,941
Balance due to Capital Market Authority	Amortized cost	Amortized cost	11,881,482	11,881,482
Accrued expenses and other current liabilities	Amortized cost	Amortized cost	48,511,337	48,511,337
Total financial liabilities			111,509,760	111,509,760

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

3.1.1 Impact of adopting of IFRS 9 at 1 January 2018 (Continued)

(i) (Reconciliation of carrying amounts under Previous GAAP to the carrying amounts under IFRS 9 at the adoption of IFRS 9

	Previous GAAP carrying amount as at 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount as at 1 January 2018
Financial assets				
Amortized cost				
Investments	1,276,626,376	–	(1,536,928)	1,275,089,448
Account receivables	26,916,210	–	(25,831)	26,890,379
Cash and cash equivalents	613,057,827	–	–	613,057,827
Total amortized cost	1,916,600,413	–	(1,562,759)	1,915,037,654
FVTPL				
Investments	1,227,595,478	88,635,408	–	1,316,230,886
Total FVTPL	1,227,595,478	88,635,408	–	1,316,230,886
Available for sale				
Investments	88,635,408	(88,635,408)	–	–
Total financial assets	3,232,831,299	–	(1,562,759)	3,231,268,540
Financial liabilities				
Amortized cost				
Accounts payables	51,116,941	–	–	51,116,941
Balance due to Capital Market Authority	11,881,482	–	–	11,881,482
Accrued expenses and other current liabilities	48,511,337	–	–	48,511,337
Total financial liabilities	111,509,760	–	–	111,509,760

(ii) Impact on retained earnings and other reserves

	Fair value reserve	Retained earnings
Balance as at 31 December 2017 – Restated	9,360,408	597,628,978
Effect of:		
Reclassification from available for sale to FVTPL	(9,360,408)	9,360,408
Recognition of expected credit losses under IFRS 9	–	(1,562,759)
Opening balance under IFRS 9 (1 January 2018)	–	605,426,627

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (Continued)

3.1.1 Impact of adopting of IFRS 9 at 1 January 2018 (Continued)

(iii) The following table provides carrying value of financial assets and financial liabilities in the statement of financial position.

	31 December 2018					
	Mandatorily at FVTPL	Designated at FVTPL	FVOCI – debt	Designated as at FVOCI–equity	Amortized cost	Total carrying amount
Financial assets						
Cash and cash equivalents	–	–	–	–	363,178,918	363,178,918
Investments	1,303,776,087	–	–	–	1,618,889,453	2,922,665,540
Account receivables	–	–	–	–	38,594,342	38,594,342
Total financial assets	1,303,776,087	–	–	–	2,020,662,713	3,324,438,800
Financial liabilities						
Account payables	–	–	–	–	87,268,042	87,268,042
Balance due to Capital Market Authority	–	–	–	–	56,661,001	56,661,001
Accrued expenses and other liabilities	–	–	–	–	61,925,886	61,925,886
Total financial liabilities	–	–	–	–	205,854,929	205,854,929

3.2 Property and equipment

Property and equipment except land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Land is measured at its cost.

Cost includes expenditure that are directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

The cost of replacing part of an item of operating fixed assets is recognized in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of operating fixed assets are recognized in the statement of profit or loss as incurred.

Depreciation

Depreciation is calculated over depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation of an asset begins when it is available for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property and equipment (Continued)

Depreciation (Continued)

The estimated useful lives for current and comparative periods of different items of property and equipment are as follows:

	Estimated useful lives (years)
Building	30
Furniture and fixtures	10
Computers	4
Office equipment	6
Vehicles	4

Depreciation methods, useful lives, impairment indicators and residual values are reviewed at each annual reporting date and adjusted, if appropriate.

3.3 Intangible assets

These represent software held for use in the normal course of the business and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged to the statement of profit or loss over an estimated useful life of the software using the straight-line method. The estimated useful life of software is six years.

3.4 Impairment of non-financial assets

The carrying amounts of the Group'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 that cannot be tested individually 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", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. 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 (except against goodwill) is reversed 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.

3.5 Investments in associates (investment in equity-accounted investees)

An associate is an entity over which the Group has significant influence, but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term liquid investments with original maturities of three months or less, if any, which are available to the Group without any restrictions.

3.7 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost in the statement of profit or loss.

3.8 Defined benefits obligation – employees' end-of-service benefits

Employees' end-of-service benefits are payable to all employees employed under the terms and conditions of the labour laws applicable to the Group.

The Group's net obligation in respect of employees' end-of-service benefits is calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods. That benefit is discounted to determine its present value.

Remeasurements, comprising of actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The Group recognizes the following changes in the defined benefits obligation under "operating cost" and "general and administrative expenses" in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

3.9 Revenue recognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Revenue recognition (Continued)

Dividend income

Dividend income is recognized when the right to receive is established.

Special commission income

Special commission income is recognized in the statement of profit or loss on an effective yield basis.

3.10 Expenses

General and administrative expenses are those arising from the Group's efforts underlying the marketing, consultancy, and maintenance functions. Allocations of common expenses between operating costs and general and administrative expenses, when required, are made on a consistent basis.

3.11 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of FVOCI instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.12 Zakat

Based on the GAZT letter number 2999/12 dated 5/6/1429 H, the Group will be subject to Zakat after the initial public offering and the participation of private sector in its share capital in accordance with the approval of the Minister of Finance on GAZT's study regarding this matter dated 24/5/1429H. In addition, based on the GAZT letter number 16/33008 dated 28/12/1438H, the Group is not subject to Zakat as it is fully owned by the Public Investment Fund (a governmental agency) and hence no provision is recorded in these consolidated financial statements.

3.13 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed in the Group's consolidated financial statements under contingent liabilities.

3.14 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Fair value measurement (Continued)

The Group 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 categorized 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.

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

At each reporting date, Management of the Group analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

3.15 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset as current when it is:

- expected to be realized or intended to 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 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

4. EXPLANATION OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS

As stated in Note 2, these are the Group's consolidated financial statements prepared in accordance with IFRS. The basis of preparation and accounting policies set out in Notes 2 and 3 respectively have been applied consistently in preparation of these consolidated financial statements.

4. EXPLANATION OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (CONTINUED)

An explanation of how the transition from Previous GAAP (SOCPA) to IFRS and other adjustments is set out in the following tables:

4.1 Reconciliation of equity

	31 December 2017		
	Balance as per SOCPA	Adjustments	Balance as per IFRS
ASSETS			
Non-current assets			
Property and equipment (Note 4.4a)	22,889,063	3,247,998	26,137,061
Projects under progress (Note 4.4a)	18,094,098	(18,094,098)	–
Intangible assets (Note 4.4a)	66,338,189	14,846,100	81,184,289
Equity accounted investee (Note 4.3b)	79,436,665	(30,200,508)	49,236,157
Investments (Note 4.4b)	1,108,635,408	5,106,364	1,113,741,772
	1,295,393,423	(25,094,144)	1,270,299,279
Current assets			
Investments (Note 4.4b)	1,477,595,478	1,520,012	1,479,115,490
Account receivables	26,916,210	–	26,916,210
Prepaid expenses and other current assets (Note 4.4b)	31,565,763	(6,626,376)	24,939,387
Cash and cash equivalents	613,057,827	–	613,057,827
	2,149,135,278	(5,106,364)	2,144,028,914
TOTAL ASSETS	3,444,528,701	(30,200,508)	3,414,328,193
EQUITY AND LIABILITIES			
Equity			
Share capital	1,200,000,000	–	1,200,000,000
Statutory reserve	296,763,700	–	296,763,700
General reserve	1,114,180,214	–	1,114,180,214
Fair value reserve	9,360,408	–	9,360,408
Retained earnings (Note 4.3a and 4.3b)	604,669,705	(37,241,235)	567,428,470
TOTAL EQUITY	3,224,974,027	(37,241,235)	3,187,732,792
Non-current liabilities			
Employees' end-of-service benefits (Note 4.3)	84,784,242	7,040,727	91,824,969
Provision for specific obligations	17,430,875	–	17,430,875
	102,215,117	7,040,727	109,255,844
Current liabilities			
Account payables	51,116,941	–	51,116,941
Balance due to Capital Market Authority	11,881,482	–	11,881,482
Deferred revenue	5,829,797	–	5,829,797
Accrued expenses and other current liabilities	48,511,337	–	48,511,337
	117,339,557	–	117,339,557
TOTAL LIABILITIES	219,554,674	7,040,727	226,595,401
TOTAL EQUITY AND LIABILITIES	3,444,528,701	–	3,414,328,193

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4. EXPLANATION OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (CONTINUED)

4.1 Reconciliation of equity (Continued)

	1 January 2017		
	Balance as per SOCPA	Adjustments	Balance as per IFRS
ASSETS			
Non-current assets			
Property and equipment (Note 4.4a)	30,442,804	1,948,421	32,391,225
Projects under progress (Note 4.4a)	29,144,844	(29,144,844)	–
Intangible assets (Note 4.4a)	56,569,437	27,196,423	83,765,860
Equity-accounted investee (Note 4.3b)	81,846,474	(30,200,508)	51,645,966
Investments (Note 4.4b)	1,446,118,292	6,505,975	1,452,624,267
	1,644,121,851	(23,694,533)	1,620,427,318
Current assets			
Investments (Note 4.4b)	1,582,072,800	8,935,739	1,591,008,539
Account receivables	9,720,714	–	9,720,714
Prepaid expenses and other current assets (Note 4.4b)	41,655,768	(15,441,714)	26,214,054
Cash and cash equivalents	109,398,138	–	109,398,138
	1,742,847,420	(6,505,975)	1,736,341,445
TOTAL ASSETS	3,386,969,271	(30,200,508)	3,356,768,763
EQUITY AND LIABILITIES			
Equity			
Share capital	1,200,000,000	–	1,200,000,000
Statutory reserve	283,786,867	–	283,786,867
General reserve	1,114,180,214	–	1,114,180,214
Fair value reserve	(3,156,708)		(3,156,708)
Retained earnings (Note 4.3a and 4.3b)	577,878,210	(50,565,901)	527,312,309
TOTAL EQUITY	3,172,688,583	(50,565,901)	3,122,122,682
Non-current liabilities			
Employees' end-of-service benefits (Note 4.3a)	74,665,719	20,365,393	95,031,112
Provision for specific obligations	17,430,875	–	17,430,875
	92,096,594	20,365,393	112,461,987
Current liabilities			
Account payables	60,730,640	–	60,730,640
Balance due to Capital Market Authority	16,258,958	–	16,258,958
Deferred revenue	2,649,570	–	2,649,570
Accrued expenses and other liabilities	42,544,926	–	42,544,926
	122,184,094	–	122,184,094
TOTAL LIABILITIES	214,280,688	20,365,393	234,646,081
TOTAL EQUITY AND LIABILITIES	3,386,969,271	(30,200,508)	3,356,768,763

4. EXPLANATION OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (CONTINUED)

4.2 Reconciliation of statement of profit or loss and other comprehensive income

	For the year ended 31 December 2017		
	SOCPA	Adjustments	IFRS
Operating revenue	545,449,550	–	545,449,550
Operating costs (Note 4.3)	(294,148,341)	6,990,471	(287,157,870)
Gross profit	251,301,209	6,990,471	258,291,680
General and administrative expenses (Note 4.3)	(209,381,322)	8,543,910	(200,837,412)
Operating profit	41,919,887	15,534,381	57,454,268
Investment income	87,188,113	–	87,188,113
Share of loss in equity-accounted investee	(2,409,809)	–	(2,409,809)
Other income	3,070,137	–	3,070,137
Non-operating profit	87,848,441	–	87,848,441
Profit for the year	129,768,328	15,534,381	145,302,709
Other comprehensive income			
Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods:			
Remeasurements of the defined benefit liability (Note 4.3)	–	(2,209,715)	(2,209,715)
Items that can be reclassified to consolidated statement of profit or loss in subsequent periods:			
Equity investments at FVOCI – net change in fair value	12,517,116	–	12,517,116
Other comprehensive income	12,517,116	(2,209,715)	10,307,401
Total comprehensive income	142,285,444	13,324,666	155,610,110

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4. EXPLANATION OF TRANSITION TO IFRS AND OTHER ADJUSTMENTS (CONTINUED)

4.3 Changes due to transition from SOCPA to IFRS

(a) Employees' end-of-service benefits

Under SOCPA Standards, the Group recorded its liability based on regulatory requirements. In order to determine the liability under IFRS, the Group performed a detailed actuarial valuation of its employees' end-of-service benefits.

The impact arising from the above change is summarized as follows:

Statement of financial position

	31 December 2017		
	SOCPA	Adjustments	IFRS
Balance at the beginning of the year	74,665,719	20,365,393	95,031,112
Charge for the year/current service cost and interest cost	16,326,613	(15,534,381)	792,232
Actuarial remeasurement loss recognized in other comprehensive income	–	2,209,715	2,209,715
Payments made during the year	(6,208,090)	–	(6,208,090)
Balance at the end of the year	84,784,242	7,040,727	91,824,969

	1 January 2017
Balance as per Previous GAAP	74,665,719
Adjustment	20,365,393
Balance as per IFRS	95,031,112

(b) Equity-accounted investee

As part of IFRS transition, the Company identified that there existed impairment indicators relating to its equity-accounted investee, which were not considered under the Previous GAAP. Accordingly, the Company performed an impairment test and recognized a loss of SAR 30,200,508 on the date of transition.

4.4 Changes due to presentation enhancement and reclassification

(a) Property and equipment, intangibles and projects under progress

Projects under progress has been reclassified under property and equipment and intangible assets.

(b) Investments and prepaid expenses and other assets

Accrued income on investments classified under prepaid expenses and other current assets has been reclassified to investments.

4.5 Statement of cash flows

There are no material differences between the consolidated statement of cash flows presented under IFRSs and the consolidated statement of cash flows presented under Previous GAAP.

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5. PROPERTY AND EQUIPMENT

	Land	Building	Furniture and fixtures	Computers	Office equipment	Vehicles	Total
Cost:							
Balance as at 1 January 2017	2,310,985	618,248	20,693,597	147,207,861	18,207,546	1,656,350	190,694,587
Transfers due to adoption of IFRS (Note 4.1)	–	–	965,660	1,912,746	369,592	–	3,247,998
Additions	–	–	508,442	3,777,318	246,366	–	4,532,126
Disposals	–	–	(382,390)	(787,947)	(428,180)	–	(1,598,517)
Balance as at 31 December 2017 – Restated	2,310,985	618,248	21,785,309	152,109,978	18,395,324	1,656,350	196,876,194
Balance as at 1 January 2018	2,310,985	618,248	21,785,309	152,109,978	18,395,324	1,656,350	196,876,194
Additions	–	–	692,156	1,635,572	318,458	–	2,646,186
Disposals	–	–	(2,216,232)	(48,802,995)	(802,590)	–	(51,821,817)
Balance as at 31 December 2018	**2,310,985**	**618,248**	**20,261,233**	**104,942,555**	**17,911,192**	**1,656,350**	**147,700,563**
Accumulated depreciation:							
Balance as at 1 January 2017	–	27,478	16,418,883	127,183,080	15,714,880	907,462	160,251,783
Charge for the year	–	20,608	1,035,500	9,930,423	815,725	282,767	12,085,023
Disposals	–	–	(381,546)	(787,947)	(428,180)	–	(1,597,673)
Balance as at 31 December 2017	–	48,086	17,072,837	136,325,556	16,102,425	1,190,229	170,739,133
Balance as at 1 January 2018	–	48,086	17,072,837	136,325,556	16,102,425	1,190,229	170,739,133
Charge for the year	–	20,608	839,299	8,463,836	880,067	209,017	10,412,827
Disposals	–	–	(2,171,022)	(48,800,131)	(801,309)	–	(51,772,462)
Balance as at 31 December 2018	**–**	**68,694**	**15,741,114**	**95,989,261**	**16,181,183**	**1,399,246**	**129,379,498**
Net book value:							
As at 31 December 2018	**2,310,985**	**549,554**	**4,520,119**	**8,953,294**	**1,730,009**	**257,104**	**18,321,065**
As at 31 December 2017 – Restated	2,310,985	570,162	4,712,472	15,784,422	2,292,899	466,121	26,137,061

5.1 The allocation of depreciation expense between operating costs and general and administrative expenses is as follows:

Description	2018	2017
Operating costs	7,209,368	8,837,065
General and administrative expenses	3,203,459	3,248,005
	10,412,827	12,085,070

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6. INTANGIBLE ASSETS

For the year ended 31 December	Note	2018	2017 (Restated)
Cost:			
Balance at beginning of the year		251,256,797	208,181,418
Transfers		–	11,796,792
Additions		55,296,131	16,432,487
Transfers due to adoption of IFRS	4.1	–	14,846,100
Disposals		(821,160)	–
Balance at end of the year		305,731,768	251,256,797
Accumulated amortization:			
Balance at beginning of the year		170,072,508	151,611,981
Charge for the year	6.1	21,858,256	18,460,527
Disposals		(821,160)	–
Balance at end of the year		191,109,604	170,072,508
Net book value as at 31 December		114,622,164	81,184,289

6.1 The allocation of amortization expense between operating costs and general and administrative expenses is as follows:

For the year ended 31 December	2018	2017 (Restated)
Operating cost	19,746,261	15,333,988
General and administrative expenses	2,111,995	3,126,538
	21,858,256	18,460,526

7. EQUITY-ACCOUNTED INVESTEE

This represents the Company's share of investment in Tadawul Real Estate Company ("the Associate"), a company incorporated in the Kingdom of Saudi Arabia, where the Company has significant influence. The Company owns 20% (31 December 2017: 20%; 1 January 2017: 20%) share capital of the Associate. The main activity of the Associate is to develop Tadawul's headquarters in the King Abdullah Financial District, Riyadh. The Group has not earned any dividend income from the Associate.

The movement of investment in the Associate is as follows:

For the year ended 31 December	2018	2017 (Restated)
Balance at beginning of the year	49,236,157	51,645,966
Share of loss for the year	(6,629,084)	(2,409,809)
Balance at end of the year	42,607,073	49,236,157

The Group has recognized share of loss based on the latest available financial statements of the Associate.

7. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

The following table summarizes the financial information of the Associate as included in its own financial statements. The table also reconcile summarized financial information to the carrying amount of the Group's interest in the Associate:

	2018	2017
Percentage ownership interest	20%	20%
Total current assets	46,515,781	317,171,854
Total non-current assets	1,024,509,060	763,292,408
Total current liabilities	30,349,849	2,856,098
Total non-current liabilities	676,637,087	680,424,839
Net assets (100%)	364,037,905	397,183,325
Group's share of net assets (20%)	72,807,581	79,436,665

8. INVESTMENTS

Investment securities portfolios are summarized as follows:

	Notes	31 December 2018	31 December 2017	1 January 2017
Non-current				
Investments at amortized cost	8.1	306,327,691	–	–
Held-to-maturity investments	8.2	–	1,025,106,364	1,376,505,975
Available-for-sale investments	8.3	–	88,635,408	76,118,292
		306,327,691	1,113,741,772	1,452,624,267
Current				
Investments at amortized cost	8.4	1,312,561,762	–	–
Held-to-maturity investments	8.5	–	251,520,012	1,131,531,571
Investments at FVTPL	8.6	1,303,776,087	–	–
Held-for-trading investments	8.7	–	1,227,595,478	459,476,968
		2,616,337,849	1,479,115,490	1,591,008,539

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8. INVESTMENTS (CONTINUED)

8.1 Investments at amortized cost – non-current

This represents investments in Sukuk issued by various counterparties having sound credit rating. These Sukuk carry an average profit rate of 3.15% per annum. Remaining maturity periods of these Sukuk vary between one and eight years. As at 31 December 2018, accrued profit of SAR 2.8 Mn was included in the amortized cost of these investments.

The movement of the allowance for impairment of investments held at amortized cost for the year ended 31 December 2018 is summarized as follows:

	2018
Balance at the beginning of the year	–
Effect on the adoption of IFRS 9 at 1 January 2018	1,536,928
Reversal for the year	(65,573)
Balance at the end of the year	1,471,355

8.2 Held-to-maturity investments – non-current

This represents investments in Sukuk issued by various counterparties having sound credit rating. These Sukuk were carrying an average profit rate of 4.28% per annum for the year ended 31 December 2017 (1 January 2017: 3.20% per annum). Remaining maturity periods of these Sukuk vary between one and eight years. As at 31 December 2017, accrued profit of SAR 5.1 Mn (1 January 2017: SAR 9.8 Mn) was included in the amortized cost of these investments.

8.3 Available-for-sale investments

The cost and fair value of available-for-sale investments are as follows:

	31 December 2017		1 January 2017	
	Cost	Fair value	Cost	Fair value
Real estate funds	79,275,000	88,635,408	79,275,000	76,118,292
Total	79,275,000	88,635,408	79,275,000	76,118,292
Unrealized gain/(loss)		9,360,408		(3,156,708)

8.4 Investments at amortized cost – current

	Notes	31 December 2018
Sukuk	8.4.1	426,925,624
Murabaha	8.4.2	885,636,138
Total		1,312,561,762

8. INVESTMENTS (CONTINUED)

8.4 Investments at amortized cost – current (Continued)

8.4.1 This represents investment in Sukuk issued by various counterparties which are domiciled in the Kingdom of Saudi Arabia having sound credit rating. These Sukuk carry an average special commission of 4.28% per annum for the year ended 31 December 2018.

8.4.2 Short-term Murabaha placements are with counterparties which are domiciled in the Kingdom of Saudi Arabia, having investment grade credit ratings and earn average special commission rate of 3.23% per annum for the year ended 31 December 2018.

8.4.3 As at 31 December 2018, accrued profit of SAR 5.1 Mn was included in the amortized cost of these investments.

8.5 Held-to-maturity investments – current

	Notes	31 December 2017	1 January 2017
Sukuk	8.5.1	151,392,234	–
Murabaha	8.5.2	100,127,778	1,131,531,571
Total		251,520,012	1,131,531,571

8.5.1 This represents investment in Sukuk issued by various counterparties which are domiciled in the Kingdom of Saudi Arabia having sound credit rating. These Sukuk were carrying an average special commission of 3.30% per annum for the year ended 31 December 2017. These placements had an original maturity period of more than three months and less than twelve months.

8.5.2 Short-term Murabaha placements are with counterparties which are domiciled in the Kingdom of Saudi Arabia, having investment grade credit ratings and earn average special commission from 2.30% per annum for the year ended 31 December 2017 (1 January 2017: 3.14% per annum). These placements were matured in June 2018.

8.5.3 As at 31 December 2017, accrued profit of SAR 1.5 Mn (1 January 2017: 9.5 Mn) was included in the amortized cost of these investments.

8.6 Investments at FVTPL:

The cost and fair value of investments held at FVTPL are as follows:

	31 December 2018	
	Cost	Fair value
Money market funds	1,192,965,777	1,228,320,127
Real estate funds	79,275,000	75,455,960
Total	1,272,240,777	1,303,776,087
Unrealized gain		31,535,310

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8. INVESTMENTS (CONTINUED)

8.7 Held-for-trading investments

The cost and fair value of held-for-trading investments are as follows:

	31 December 2017		1 January 2017	
	Cost	Fair value	Cost	Fair value
Money market funds	1,209,173,892	1,227,595,478	457,757,425	459,476,968
Unrealized gain		18,421,586		1,719,543

9. ACCOUNT RECEIVABLES

	Notes	31 December 2018	31 December 2017	1 January 2017
Account receivables:				
– Related parties	24.1	12,682,167	4,416,769	2,273,187
– Others		32,641,416	25,363,180	8,947,705
Less: Allowance for credit losses	9.1	(6,729,241)	(2,863,739)	(1,500,178)
		38,594,342	26,916,210	9,720,714

9.1 The movement in the allowance for credit losses is summarized as follows:

For the year ended 31 December	2018	2017
Balance at the beginning of the year	2,863,739	1,500,178
Effect on the adoption of IFRS 9 at 1 January 2018	25,831	–
Charge for the year	3,839,671	1,363,561
Balance at the end of the year	6,729,241	2,863,739

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2018	31 December 2017	1 January 2017
Prepaid insurance expenses	7,672,925	6,839,732	6,886,582
Prepaid rent expenses	5,301,243	2,834,856	5,278,981
Accrued operational revenue	5,709,830	4,445,427	4,029,076
Advance to employees	4,377,876	4,514,536	2,664,701
Prepaid maintenance expenses	623,537	1,693,280	1,604,212
Value added tax (VAT)	1,748,422	–	–
Others	6,526,048	4,611,556	5,750,502
	31,959,881	24,939,387	26,214,054

11. CASH AND CASH EQUIVALENTS

	Note	31 December 2018	31 December 2017	1 January 2017
Current at banks – current accounts		68,823,309	169,057,827	9,398,138
Short-term Murabaha deposits	11.1	294,355,609	444,000,000	100,000,000
		363,178,918	613,057,827	109,398,138

11.1 Short-term Murabaha deposits are with counterparties having good credit ratings. These placements have an original maturity period of three months or less and carry an average special commission rate of 2.7% (31 December 2017: 2.1%; 1 January 2017: 2.7%).

12. STATUTORY RESERVE

In accordance with the Company's by-laws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. The Group is currently in the process of amending its by-laws as described in Note 2. This reserve is currently not available for distribution to the shareholders of the Group.

13. GENERAL RESERVE

In accordance with the approval of the Chairman of CMA *vide* letter No. 524/2007 dated 13 February 2007, a balance of the retained earnings was transferred to a contractual reserve, starting from 2006 for the purpose of financing the construction of Tadawul's headquarters in the King Abdullah Financial District and any other future purposes to be decided by the Company's Board of Directors. During the year 2008, the Board of Directors of the Company resolved according to a decision number 6/8/2008 to transfer such balance of the contractual reserve to general reserve.

14. EMPLOYEES' END-OF-SERVICE BENEFITS

The movement in employees' end-of-service benefits is as follows:

For the year ended 31 December	2018	2017
Balance at beginning of the year	91,824,969	95,031,112
Current service cost	11,441,606	(2,536,427)
Interest cost	2,976,469	3,328,659
Amount recognized in profit or loss	14,418,075	792,232
Remeasurement (gain)/loss recognized in other comprehensive income	(20,302,501)	2,209,715
Benefits paid during the year	(13,880,716)	(6,208,090)
Balance at the end of the year	72,059,827	91,824,969

14. EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

14.1 Remeasurement (gain)/ loss recognized in other comprehensive income for the year is as follows:

For the year ended 31 December	2018	2017
Effect of changes in financial assumptions	(11,490,675)	1,899,851
Effect of changes in demographic assumptions	(1,413,332)	225,642
Effect of experience adjustments	(7,398,494)	84,222
Remeasurement (gain)/ loss recognized in other comprehensive income	(20,302,501)	2,209,715

14.2 Net end-of-service benefit liability is as follows:

	31 December 2018	31 December 2017	1 January 2017
Present value of benefit liability	72,059,827	91,824,969	95,031,112
Fair value of plan assets	–	–	–
Net defined benefit liability	72,059,827	91,824,969	95,031,112

14.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

	31 December 2018	31 December 2017	1 January 2017
Key actuarial assumptions			
Discount rate used	4.25%	3.15%	3.35%
Future growth in salary	5.00%	5.00%	5.00%
Turnover	Heavy	Heavy	Heavy
Demographic assumptions			
Retirement age	64 years	64 years	64 years

Discount rate used

This rate is used to obtain the actuarial present value of the projected benefits. As per IAS – 19 (para 83), the rate to be used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and expected term of the post-employment benefit obligation. Since there is no deep market for high quality corporate bonds in the Kingdom of Saudi Arabia, therefore, the market yield of government bond is considered.

14. EMPLOYEES' END-OF-SERVICE BENEFITS (CONTINUED)

14.3 Principal actuarial assumptions (Continued)

Salary increases

With regards to the past trend, it is assumed that the salaries would increase at a rate of 5.00% per annum compound in the long range. The valuation is sensitive to the gap between the interest and salary increase assumptions. The situation will be kept under review. Salary increments each year are assumed to be given on 1 February.

14.4 Maturity Profile of the defined benefit liability

	2018
Weighted average duration (years)	6.90
Distribution of timing of benefit payments (time in years):	
1	6,753,017
2	7,810,278
3	7,013,063
4	7,689,513
5	6,038,039
6-10	31,985,063

14.5 Principal actuarial assumptions

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been –

	31 December 2018		31 December 2017		1 January 2017	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	69,444,786	74,476,710	87,191,035	96,863,578	90,092,610	100,408,869
Future salary growth (0. 5% movement)	73,243,047	70,578,235	97,399,935	86,660,491	100,492,869	89,965,621

14.6 Risks associated with defined benefit plans

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

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15. PROVISION FOR SPECIFIC OBLIGATIONS

At the establishment of the Company, all rights, assets, liabilities, obligations and records were transferred from the Saudi Share Registration Company (a company which existed before the establishment of Tadawul), to the Company as at 30/11/1428H (corresponding to 10 December 2007) under CMA Board Resolution number 1-202-2006 dated 08/02/1427H and the decision of the Council of Ministers number 91 dated 16/04/1424H. Accordingly, the Company is responsible for all obligations arising from the operations of the Saudi Share Registration Company.

The Company had made a provision equal to the amount of net assets transferred from the Saudi Share Registration Company. As at 31 December 2018, the provision was in the amount of SAR 17,430,875 (31 December 2017: SAR 17,430,875; and 1 January 2017: SAR 17,430,875).

16. ACCOUNT PAYABLES

	Note	31 December 2018	31 December 2017	1 January 2017
Trade payables		80,314,161	45,147,105	53,013,611
Related parties	24.3	6,953,881	5,969,836	7,717,029
		87,268,042	51,116,941	60,730,640

17. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2018	31 December 2017	1 January 2017
Accrued employees expenses	39,599,064	30,109,595	25,621,764
Accrued employees vacation expenses	13,729,007	14,443,096	14,254,402
Accrued social insurance – General Organization for Social Insurance	1,409,935	1,559,305	1,547,762
Others	4,398,926	2,399,341	1,120,998
	59,136,932	48,511,337	42,544,926

18. OPERATING REVENUE

For the year ended 31 December	2018	2017
Trading commission	321,711,062	304,287,195
Securities depository services	137,834,096	132,931,412
Market information services	60,808,776	63,027,657
Listing fee	61,580,174	44,959,233
Other services	1,345,932	244,053
	583,280,040	545,449,550

18. OPERATING REVENUE (CONTINUED)

In accordance with the Council of CMA resolution No. (17/270/6) dated 18 January 2017, operating revenues arrangement between the Group and CMA with effect from 1 January 2017 is as follows:

- CMA's is entitled to receive a financial return on the Group's trading commission equivalent to 64% of total trading commission. The Group shall collect this return and deposit into CMA's account based on its instruction; and
- The Group is entitled to keep 100% of operating revenues (other than trading commission, which is subject to above-mentioned return sharing arrangement).

Further, the Group has an obligation to pay CMA an annual fixed amount of SAR 130 million, in accordance with the Council of CMA resolution No. (17/268/6) dated 18 January 2017.

The Group charges a listing fee on initial subscription fees of listed companies. The Group commenced charging such a fee during the second quarter of the year 2017, in accordance with CMA approval dated 18 January 2017.

19. OPERATING COSTS

Operating costs include direct expenses incurred by the Group to provide services to its customers and the Saudi Financial Market. A breakdown of operating costs is as follows:

For the year ended 31 December	Notes	2018	2017 (Restated)
CMA annual fees		130,000,000	130,000,000
Salaries and related benefits		92,756,391	88,017,099
Consultancy		1,128,959	2,454,167
Maintenance		21,934,036	23,653,293
Depreciation and amortization	5 & 6	21,801,544	24,171,053
Data network lines		11,085,864	10,428,966
Rent		2,854,836	4,167,266
Utilities		1,434,070	1,243,347
Security guards		1,605,473	1,604,149
Hospitality and cleaning		2,005,667	1,533,318
Charge for credit losses on accounts receivables	9.1	3,839,671	1,363,561
SAREE system usage fees		1,162,000	839,000
Communication		694,074	694,898
Business travel		718,223	1,189,501
Training		911,284	1,547,503
Marketing and sponsorship		1,639,797	1,047,357
License fees		860,173	213,378
Shareholder relations		1,111,251	278,457
Others		960,625	1,009,589
		298,503,938	295,466,902

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20. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December	Notes	2018	2017 (Restated)
Salaries and related benefits		130,186,615	106,244,356
Consultancy		18,723,914	23,049,853
Maintenance		14,914,314	17,249,964
Depreciation and amortization	5 & 6	10,469,539	6,374,543
Rent		9,515,024	9,639,298
Board of Directors' remuneration and allowances		5,963,239	6,429,875
Security guards		2,073,863	1,614,769
Utilities		1,815,930	1,064,294
Hospitality and cleaning		2,223,833	1,822,485
Communications		808,431	633,024
Business trip		1,354,745	1,663,771
Trading activities insurance contracts		915,026	755,269
Training		4,088,274	5,763,853
Stationery and office supplies		383,773	526,363
Marketing and sponsorship		393,146	3,551,940
License fees		1,758,147	1,239,972
Reversal for impairment on investments	8	(65,573)	–
Others		4,998,037	4,904,751
		210,520,277	192,528,380

21. INVESTMENT INCOME

For the year ended 31 December	Notes	2018	2017
Special commission income		57,918,638	57,731,048
Dividend income		6,859,810	5,890,794
Realised gain on investments		10,679,758	6,864,227
Unrealized gain on investments	8.6	3,753,316	16,702,044
		79,211,522	87,188,113

22. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing income attributable to the ordinary shareholders of the Company by the weighted average outstanding number of shares for the year ended, totalling 120 million shares (31 December 2018: 120 million shares).

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23. CONTINGENCIES AND COMMITMENTS

Commitments represent the value of the part not yet executed from supply contracts of assets and services to Group as follows:

	31 December 2018	31 December 2017	1 January 2017
Purchase of assets	26,171,655	5,341,315	6,638,330
Committed expenditure	10,291,394	7,194,923	12,931,731
Letter of guarantee	11,300,000	1,147,940	1,147,940
	47,763,049	13,684,178	20,718,001

24. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include PIF ("the shareholder"), Tadawul Real Estate Company ("the Associate"), the Group's Board of Directors, and key executives, and other entities, which are under common ownership through PIF ("Affiliates"), or have common Directors on their Board ("Board of Directors"). Transactions are carried out on mutually agreed terms approved by the Management of the Group.

24.1 The significant transactions with related parties in relation to the Group's core activities are as follows:

Nature of relationship	Nature of transactions		Total amount of transactions
	Sales and marketing	Securities depository services	31 December 2018
Affiliates	134,382,829	19,563,135	153,945,964
Board of Directors	61,436,691	–	61,436,691
Board of Directors/affiliates	158,513,539	–	158,513,539
The Associate	–	105,000	105,000

Nature of relationship	Nature of transactions		Total amount of transactions
	Sales and marketing	Securities depository services	31 December 2017
Affiliates	87,028,677	12,587,812	99,616,489
Board of Directors	5,741,559	19,820	5,761,379
Board of Directors/affiliates	162,767,787	4,291,654	167,059,441
The Associate	–	200,000	200,000

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24. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

24.1 (Continued)

The receivables balances arising from the above transactions are as follows:

	For the year ended 31 December 2018			
Nature of relationship	Opening balance	Invoiced	Collections	Ending balance
Affiliates	2,107,376	153,945,964	(152,918,426)	3,134,914
Board of Directors	8,823	61,436,691	(58,959,062)	2,486,452
Board of Directors/affiliates	2,200,570	158,513,539	(153,758,308)	6,955,801
The Associate	100,000	105,000	(100,000)	105,000
Total	4,416,769	374,001,194	(365,735,796)	12,682,167

	For the year ended 31 December 2017			
Nature of relationship	Opening balance	Invoiced	Collections	Ending balance
Affiliates	1,119,214	99,616,489	(98,628,327)	2,107,376
Board of Directors	125,674	5,761,379	(5,878,230)	8,823
Board of Directors/affiliates	661,002	167,059,441	(165,519,873)	2,200,570
The Associate	367,297	200,000	(467,297)	100,000
Total	2,273,187	272,637,309	(270,493,727)	4,416,769

	For the year ended 31 December 2016			
Nature of relationship	Opening balance	Invoiced	Collections	Ending balance
Affiliates	159,734	122,675,509	(121,716,029)	1,119,214
Board of Directors	204,503	9,428,854	(9,507,683)	125,674
Board of Directors/affiliates	523,738	106,890,994	(106,753,730)	661,002
The Associate	893,385	372,948	(899,036)	367,297
Total	1,781,360	239,368,305	(238,876,478)	2,273,187

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24. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

24.2 Other balances with related parties included in investments at "FVTPL"/Held-for-trading investments are as follows:

	For the year ended 31 December 2018			
Nature of relationship	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	684,701,766	(544,660,303)	546,907	140,588,370

	For the year ended 31 December 2017			
Nature of relationship	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	125,108,631	550,227,893	9,365,242	684,701,766

	For the year ended 31 December 2016			
Nature of relationship	Opening balance	Purchases/(Disposals)	Unrealized gain	Ending balance
Board of Directors	–	125,000,000	108,631	125,108,631

24.3 Other balances with related parties included within accounts payables are as follows:

	For the year ended 31 December 2018			
Nature of relationship	Opening balance	Services received	Payments made	Ending balance
Affiliates	4,293,218	12,629,562	(11,410,899)	5,511,881
Board of Directors	1,676,618	5,913,239	(6,147,857)	1,442,000
Total	5,969,836	18,542,801	(17,558,756)	6,953,881

	For the year ended 31 December 2017			
Nature of relationship	Opening balance	Services received	Payments made	Ending balance
Affiliates	6,860,051	5,546,936	(8,113,769)	4,293,218
Board of Directors	856,978	6,429,876	(5,610,236)	1,676,618
Total	7,717,029	11,976,812	(13,724,005)	5,969,836

	For the year ended 31 December 2016 (1 January 2017)			
Nature of relationship	Opening balance	Services received	Payments made	Ending balance
Affiliates	7,574,729	11,880,162	(12,594,840)	6,860,051
Board of Directors	959,000	4,041,198	(4,143,220)	856,978
Total	8,533,729	15,921,360	(16,738,060)	7,717,029

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24. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

24.4 Other balances with related parties included in investments at amortized cost are as follows:

Nature of relationship	For the year ended 31 December 2018			
	Opening balance	Special commission earned	Collections	Ending balance
The Associate	130,000,000	4,017,433	(4,017,433)	130,000,000

Nature of relationship	For the year ended 31 December 2017			
	Opening balance	Special commission earned	Collections	Ending balance
The Associate	130,000,000	4,017,433	(4,017,433)	130,000,000

Nature of relationship	For the year ended 31 December 2016			
	Opening balance	Special commission earned	Collections	Ending balance
The Associate	130,000,000	4,028,440	(4,028,440)	130,000,000

25. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided. During 2018, the Group changed its reportable segments and organization chart and all the revenue generating operations have been defined under three segments, Markets, Edaa, and Market Information. The revised segments of the Company are as under:

Markets

This business unit's main objective is to grow business by improving products/services, attracting domestic listings, (in the longer term) foreign listings, and developing new asset classes. The responsibilities include maintaining the integrity, stability, and fairness of stock market operations. Its objective is to achieve outstanding results through operational excellence, collaboration with CMA, cost effectiveness, total customer experience management, and developing a capable workforce.

Edaa

The activities of Edaa include registration of investment portfolios in the filing and settlement system, register and file its ownership, transfer, settlement and clearing its ownership, registering any restriction of ownership on the file securities, and associate with members of the market and settlement agents to filing and settlement system. Further, Edaa links and manages records of securities issuers, organizes general assemblies for issuers including remote voting service for such assemblies, provide reports, notifications and information in addition to providing any other service relating to its activities according to financial market regulations.

Market information

The activities of this segment is to grow business of market information which includes offer high-quality real-time trading data, reference data, market indices, and financial information to the financial community.

25. SEGMENT INFORMATION (CONTINUED)

Corporate

Corporate manages future corporate development and controls all Treasury related functions. All investments are incubated within this business segment, which also comprise managing strategy for business development, legal, finance, operations, human resources, and customers' relation management.

2018	Markets	Edaa	Market information	Corporate	Total
Operating revenues	224,150,902	298,320,362	60,808,776	–	583,280,040
Operating costs	(134,817,416)	(127,112,580)	(36,573,942)	–	(298,503,938)
General and administrative expenses	–	–	–	(210,520,277)	(210,520,277)
Operations income/(loss)	89,333,486	171,207,782	24,234,834	(210,520,277)	74,255,825
Total assets	18,211,205	566,423,092	4,105,840	2,943,208,846	3,531,948,983
Total liabilities	38,193,598	47,515,248	11,968,083	199,612,855	297,289,784

2017	Markets	Edaa	Market information	Corporate	Total
Operating revenues	197,576,131	284,845,762	63,027,657	–	545,449,550
Operating costs	(128,618,348)	(125,478,924)	(41,369,630)	–	(295,466,902)
General and administrative expenses	–	–	–	(192,528,380)	(192,528,380)
Operations income/(loss)	68,957,783	159,366,838	21,658,027	(192,528,380)	57,454,268
Total assets	17,596,101	563,548,255	4,255,660	2,828,928,177	3,414,328,193
Total liabilities	35,636,821	75,164,789	11,368,303	104,425,488	226,595,401

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

– Market risk;

– Credit risks;

– Operational risk; and

– Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring, and managing these risks. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. Further, the Board reviews reports from relevant committees in relation to the above on a regular basis.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Risk management structure

A cohesive organisational structure is established within the Group in order to identify, assess, monitor and control risks.

Board of Directors

The apex of risk governance is the centralized oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior Management

Senior Management is responsible for the day-to-day operations towards achieving the strategic goals within the Group's predefined risk appetite.

The risks faced by the Group and the way these risks are mitigated by Management are summarized below:

26.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in financial markets. Market risk reflects price risk, currency risk, and special commission rate risk.

Price risk

Price risk is the risk that the value of financial instruments will fluctuate due to changes in market prices. The Group's price risk exposure relates to its quoted investments in mutual funds whose values will fluctuate as a result of changes in market prices.

A 1% change in the redemption prices and quoted prices of the investments, with all other variables held constant, would impact the statement of profit or loss as set out below:

For the year ended 31 December	2018	2017
Effect on profit/ loss for the year	13,037,761	12,275,954

The sensitivity analysis prepared is not necessarily indicative of the effects on profit and loss and assets of the Group.

Currency risk

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

Special commission rate risk

The Group's exposure to changes in special commission rate relates primarily to the Group's long-term variable rate debt instruments. Special commission rate risk arises from the possibility that changes in special commission rates will affect future profitability or the fair value of financial instruments. An increase/decrease in special commission rate of 1%, with all other variables held constant, would have resulted in a decrease/increase in profit for the year ended 31 December 2018 by SAR 513,665 (2017: SAR 393,783).

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.2 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment in debt securities.

The below schedule shows the maximum limit for exposure to credit risk of the consolidated statement of financial position elements:

	31 December 2018	31 December 2017	1 January 2017
Cash and cash equivalents	363,178,918	613,057,827	109,398,138
Investments	1,618,889,453	1,276,626,376	2,508,037,546
Accrued operational revenue	5,709,830	4,445,427	4,029,076
Advance to employees	4,377,876	4,514,536	2,664,701
Account receivables	38,594,342	29,779,949	11,220,892
	2,030,750,419	1,928,424,115	2,635,350,353

Cash and cash equivalents

The Group kept its surplus funds with banks having sound credit rating. Currently the surplus funds are kept with the banks having rating as follows:

STANDARD & POOR'S		FITCH		Moody's	
Long term	Short term	Long term	Short term	Long term	Short term
–	–	A-	F1	A1	P-1
–	–	–	–	A3	P-2
BBB+	A-2	A-	F2	A2	P-1
–	–	BBB+	F2	A3	P-2
		A+	F1	A3	P-2

Account receivables

Account receivables are shown net of allowance for impairment. The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, account receivables have been grouped based on the days past due. The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.2 Credit risk (Continued)

Concentration of credit risk

The following table provides information about the exposure to credit risk and ECLs for receivables for customers as at 31 December 2018.

	Weighted average loss rate (%)	Gross carrying amount	Loss allowance	Credit impaired
0-30 days (not past due)	0.04	33,285,334	14,129	No
30-60 days	1.04	1,555,431	16,174	No
61-90 days	2.24	309,770	6,929	No
91-120 days	2.52	250,501	6,314	No
121-180 days	20.00	856,173	171,235	Yes
181-360 days	50.00	5,103,826	2,551,912	Yes
More than 360 days past due	100.00	3,962,548	3,962,548	Yes
		45,323,583	6,729,241	

26.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by internal audit. The results of internal audit reviews are discussed with the Management of the business unit to which they relate, with summaries submitted to the Audit Committee and Senior Management of the Group.

26.4 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

26.4 Liquidity risk (Continued)

The below schedule shows an analysis of financial assets and liabilities based on the expected date of collection or settlement:

	31 December 2018			31 December 2017			1 January 2017		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	363,178,918	–	363,178,918	613,057,827	–	613,057,827	109,398,138	–	109,398,138
Investments	2,616,337,849	306,327,691	2,922,665,540	1,479,115,490	1,113,741,772	2,592,857,262	1,591,008,539	1,452,624,267	3,043,632,806
Account receivables	45,323,583	–	45,323,583	29,779,949	–	29,779,949	11,220,892	–	11,220,892
Accrued operational revenue	5,709,830	–	5,709,830	4,445,427	–	4,445,427	4,029,076		4,029,076
Advance to employees	4,377,876	–	4,377,876	4,514,536	–	4,514,536	2,664,701		2,664,701
Total financial assets	3,034,928,056	306,327,691	3,341,255,747	2,130,913,229	1,113,741,772	3,244,655,001	1,718,321,346	1,452,624,267	3,170,945,613
Account payables	87,268,042	–	87,268,042	51,116,941	–	51,116,941	60,730,640	–	60,730,640
Balance due to CMA	56,661,001	–	56,661,001	11,881,482	–	11,881,482	16,258,958	–	16,258,958
Accrued expenses and other current liabilities	59,136,932	–	59,136,932	48,511,337	–	48,511,337	42,544,926	–	42,544,926
Total financial liabilities	203,065,975	–	203,065,975	111,509,760	–	111,509,760	119,534,524	–	119,534,524
Net financial assets	2,831,862,081	306,327,691	3,138,189,772	2,019,403,469	1,113,741,772	3,133,145,241	1,598,786,822	1,452,624,267	3,051,411,089

27. 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. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	31 December 2018				
	Carrying value	Fair value			Total fair value
		Level 1	Level 2	Level 3	
Investments					
FVTPL	1,303,776,087	1,228,320,127	75,455,960	–	1,303,776,087

	31 December 2017				
	Carrying value	Fair value			Total fair value
		Level 1	Level 2	Level 3	
Investments					
Held for trading	1,227,595,478	1,227,595,478	–	–	1,227,595,478
Available for sale	88,635,408	–	88,635,408	–	88,635,408
	1,316,230,886	1,227,595,478	88,635,408	–	1,316,230,886

	1 January 2017				
	Carrying value	Fair value			Total fair value
		Level 1	Level 2	Level 3	
Investments					
Held for trading	459,476,968	459,476,968	–	–	459,476,968
Available for sale	76,118,292	–	76,118,292	–	76,118,292
	535,595,260	459,476,968	76,118,292	–	535,595,260

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements were made during the year ended 31 December 2018.

28. COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform with current year presentation.

The items were reclassified as follows:

	For the year ended 31 December 2017	
	Before reclassification (Note 4.2)	After reclassification
Description		
Operating costs	287,157,870	295,466,902
General and administrative expenses	200,837,412	192,528,380

29. DIVIDEND

The Ordinary General Assembly meeting held on 27 Ramadan 1439 H (corresponding to 11 June 2018) approved the payment of dividend to shareholders for the year ended 31 December 2017 amounting to SAR 120,000,000 (for the year ended 31 December 2016: SAR 90,000,000).

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 20 April 2019.