



RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
FOR THE YEAR ENDED TO DECEMBER 31, 2017

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017

INDEX	PAGE
Auditors' report	-
Consolidated balance sheet	3
Consolidated statement of income	4
Consolidated statement of cash flows	5
Consolidated statement of changes in shareholders' equity	6
Notes to the consolidated financial statements	7 – 15

AUDITORS' REPORT

To the Shareholders
Tharwat for financial securities company
(A Saudi closed joint stock company)

Unqualified Opinion

We have audited the financial statements of Tharwat for financial securities company (A Saudi closed joint stock company) "the Company" which comprise of the statement of financial position as at December 31, 2017 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and notes to the financial statements including a summary of significant accounting policies.

In our opinion, and except for the matter described in the basis for qualified opinion section of our report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial position and its cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the nature of the Company.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Ethical requirements that are relevant to our audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance to International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As a part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk is not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events are conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentations, structure and the content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those responsible in Audit Committee regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other regulatory and regulatory requirements

Further, in accordance with the requirements of the Saudi Companies Regulations, we are note that, based on the information provided to us, nothing has come to our attention that makes us believe that the accompanying financial statements have not been prepared and presented in all material respects in accordance with the requirements of the Saudi Companies Regulations.

RSM Allied Accountants

Dr. Abdelgadir Bannaga and Partners Company



Mohammed Al Nader
License No. 435

Jamada Alawal 1, 1439H (January 18, 2018)
Riyadh, Saudi Arabia



THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2017
Saudi Riyals

ASSETS	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Current assets			
Cash on hand and at banks	3	14,432,158	17,893,933
Accounts receivable		6,125	977,123
Prepaid expenses and other assets	4	445,011	226,781
Total current assets		<u>14,883,294</u>	<u>19,097,837</u>
Non-current assets			
Available for sale investments	5	42,340,889	32,538,699
Real-Estate Investments	6	12,989,025	11,989,025
Pre-operating expenses	7	550,631	865,277
Property and equipment, net	8	1,102,282	754,975
Total non-current assets		<u>56,982,827</u>	<u>46,147,976</u>
TOTAL ASSETS		<u>71,866,121</u>	<u>65,245,813</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accrued expenses and other liabilities	9	285,065	197,959
Accrued Zakat	10	642,159	491,521
Total current liabilities		<u>927,224</u>	<u>689,480</u>
Non-current liabilities			
End-of-service indemnities		244,345	204,076
TOTAL LIABILITIES		<u>1,171,578</u>	<u>893,556</u>
EQUITY			
Shareholders' equity			
Share capital	1	60,000,000	60,000,000
Statutory reserve	14	1,559,230	468,727
Change in fair value of available for sale investments	5	4,295,911	2,238,699
Retained earnings		4,839,402	1,644,872
Total shareholders' equity		<u>70,694,543</u>	<u>64,352,298</u>
Non-controlling interest		-	(41)
TOTAL LIABILITIES AND EQUITY		<u>71,866,121</u>	<u>65,245,813</u>

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

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
Saudi Riyals

	Notes	2017	2016
Management fees		4,231,377	9,712,472
Custody fees		530,987	1,217,293
Subscription fees		9,886,042	13,168
Realized profit from sale of investments Available for sale		2,709,407	-
Realized losses from held for trading investments		-	(156,525)
Dividends revenues		-	3,897
Total operating revenues		17,357,813	10,790,305
Sales and marketing expenses	11	(3,960,391)	-
General and administrative expenses	12	(5,784,487)	(5,631,407)
Profit from operation		7,612,935	5,158,898
Other income		3,854,095	-
Profit for the before non-controlling interest and Zakat		11,467,030	5,158,898
Share of non-controlling interest in net loss of a subsidiary		25	25
Profit for the year before Zakat		11,467,055	5,158,923
Zakat	10	(562,022)	(471,654)
Net Profit for the year		10,905,033	4,687,269

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

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
Saudi Riyals

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Net profit for the year before zakat	11,467,030	5,158,898
Adjustments to reconcile net loss for the year to net cash used in operating activities:		
Depreciation	389,349	382,677
Amortization	314,646	314,646
Realized profit from sale of investments Available for sale	(2,709,407)	-
Realized losses from held for trading investments	-	156,525
Share of non-controlling interest	25	25
Dividends revenues	-	(3,897)
Provision for end of service indemnities	40,278	136,015
	<u>9,501,921</u>	<u>6,144,889</u>
Changes in operating assets and liabilities:		
Account Receivables	970,998	71,363
Prepaid expenses and other assets	(218,230)	(67,456)
Available for sale investments	(5,035,571)	(10,300,000)
Accrued expenses and other liabilities	87,106	9,147
Dividends received	-	3,897
Proceeds from sale of held for trading investments	-	14,211,272
Paid from end of service indemnities	-	(33,000)
Paid from zakat	(411,384)	(906,612)
Net cash proceeded from operating activities	<u>4,894,840</u>	<u>9,133,500</u>
INVESTING ACTIVITIES		
Real-Estate investments	(1,000,000)	(11,989,025)
purchase of property and equipment	(736,656)	(18,769)
Net cash used in investing activities	<u>(1,736,656)</u>	<u>(12,007,794)</u>
FINANCING ACTIVITIES		
Dividend distribution	(6,620,000)	-
Non-controlling interest	41	(25)
Net cash (used) in / proceeded from financing activities	<u>(6,619,959)</u>	<u>(25)</u>
Net change in cash on hand and at banks	(3,461,775)	(2,874,319)
Cash on hand and at banks, at the beginning of the year	17,893,933	20,768,252
Cash on hand and at banks, at the end of the period/year	<u>14,432,158</u>	<u>17,893,933</u>
Non- Cash Transactions		
Change in fair value of available for sale investments	<u>2,057,212</u>	<u>1,067,299</u>

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

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Capital	Statutory reserve	Change in fair value of available for sale investments	Retained Earnings / (Accumulated losses)	Total
Balance as at January 1, 2016	60,000,000	-	1,171,400	(2,573,670)	58,597,730
Net profit for the year	-	-	-	4,687,269	4,687,269
Statutory Reserves	-	468,727	-	(468,727)	-
Change in fair value of available for sale investments	-	-	1,067,299	-	1,067,299
Balance as at December 31, 2016	60,000,000	468,727	2,238,699	1,644,872	64,352,298
Net profit for the year	-	-	-	10,905,033	10,905,033
Dividend Distribution	-	-	-	(6,620,000)	(6,620,000)
Statutory reserve	-	1,090,503	-	(1,090,503)	-
Change in fair value of available for sale investments	-	-	2,057,212	-	2,057,212
Balance as at December 31, 2017	60,000,000	1,559,230	4,295,911	4,839,402	70,694,543

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

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. ORGANIZATION AND ACTIVITIES

Tharwat for Financial Securities Company (the "Company") is a Saudi Closed Joint Stock company registered in the Kingdom of Saudi Arabia (the "Kingdom") under Commercial Registration No. 1010411783 dated 23 Jumada Al-thani 1435H (corresponding to April 24, 2014) in accordance with Capital Market Authority's license No. (14175-06) on Jumada Al-Awal 5, 1435H (corresponding to March 13, 2014).

The principal activities of the Company are to act as principal, manage investments fund, custody in financial securities business in accordance with Capital Market Authority's letter No.(X/1/6/5212/15) dated Jumada Al-thani 13, 1436H. the company started its activities in accordance with Capital Market Authority's letter No. (1/6/9309/14) dated Dhul Qidah 29, 1435H (corresponding to September 24, 2014). Also, the company started acting as principal on Jumada Al-thani 30, 1436H (April 19, 2015) in accordance with Capital Market Authority's letter No. (1/6/6276/15).

The share capital of the Company amounting to SR 60 million is divided into 6 million share of SR 10 each, distributed among the shareholders as follows:

Shareholders	Number of shares	Share capital SR	Paid Share capital SR	Ownership %
Hamad Mohammad Mousa Al Mousa	2,820,000	28,200,000	28,200,000	47%
Khaled Ibrahim Abdelrahman Al Salman	1,800,000	18,000,000	18,000,000	30%
Mohammad Ibrahim Abdelrahman Al Salman	600,000	6,000,000	6,000,000	10%
Salman Ibrahim Abdelrahman Al Salman	600,000	6,000,000	6,000,000	10%
Mohammad Hamad Mohammad Al Mousa	180,000	1,800,000	1,800,000	3%
Total	6,000,000	60,000,000	60,000,000	100%

The subsidiary Company represents in Real Estate Tharwat Abha Fund Company, a limited liability company registered in Riyadh, under the commercial register No. 1010429351 on Rabi Awal 10, 1436 H (corresponding to January 1, 2015). The company's ownership percentage is 99.5 % of the total share capital amounting to SR 10,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants. According to the company's article of association, the company's financial year begins from the first of January and ends by the end of December of each calendar year.

The following is a summary of significant accounting policies applied by the company:

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Accounting convention

The accompanying consolidated financial statements are prepared under the historical cost convention and on accrual basis and the going concern concept except for the measurement at fair value of available for sale investments and held for trading investments, and the measurement of investment in an associate using equity method.

Cash on hand and at banks

Cash on hand and at banks comprise bank current accounts with liquidity that can be liquidated within three months or less from the date of acquisition.

Investments

Investments in companies' share capital that the Company do not have a significant impact, which often are the Company's share less than 20% of the capital cost, these investments are classified, according to the management intended to investments either held for trading if the management intended to sell in the short term, or available for sale if the intention of the management is not to sell it in the near future.

Measurement of both investment-trading and available for sale in the following periods of acquisition at fair value. Fair value is determined on the basis of market value in the case of the quoted securities in the financial market, for the unquoted securities are maintained at cost in the absence of reliable indicators of fair value. Held for trading investments are included in current assets, unrealized gains or losses resulting from the revaluation recorded in the consolidated income statement. available for sale investments are classified as non-current assets unless it intends to sell during the next twelve months. Unrealized gains or losses resulting from revaluation of available for sale investments are recognized in owners' equity, realized gains or losses recognized in the income statement in the period in which the gains or losses occurred. When there is a permanent shortage in the value of these investments or an objective evidence of a decline in value, unrealized losses transferred to the consolidated income statement.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting standards in the kingdom of Saudi Arabia requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and activities actual result ultimately may differ from those estimates.

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 or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. For assets carried at cost, impairment is determined as the difference between cost and the present value of future cash flows discounted at the current market rate of return for similar financial assets

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated rates of depreciation of the principal classes of assets are as follows:

	Depreciation rate %
Decorations	20%
Furniture and fixtures	25%
Office equipment	25%
Computers	25%
Software	25%
Vehicles	25%

Impairment of long lived assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Pre-operating expenses

Pre-operating expenses include all costs and expenses the company incurred during the establishment period which have future benefits. These expenses are amortized using straight line method over a period of 5 years.

Provision against obligations

A provision is made when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Real Estate investments

Real estate that are held for capital appreciation consists of a land that is owned for long period of time for the purpose of investment and gaining profits from the change its resale valuation. Real estate investments include lands which is owned with other partners and it's stated at cost.

Foreign currency translation

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

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

End-of-services indemnities

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

Assets under management

The Company offers assets management services to its customers, which include management of certain mutual funds. Such assets are not treated as assets of the Company and accordingly are not included in the financial statements.

Revenue recognition

Revenue is recognized upon delivery of services to customers and is stated net of discounts. Fees charged for managing assets are recognized as revenue as the services are provided. Management investment funds revenue and custody funds revenues according to time basis. Subscription fees are recognized upon subscription of the investor to the Fund. Fund performance income is recognized at the year end, if the fund results meet the annual preset target.

Advisory service fees are accrued on a time proportionate basis, as the services are rendered. Dividends from investments are recognized when earned or publicly declared by the investee. Commission income is recognized on an accrual basis

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed on the Zakat base or adjusted net income, which is higher. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. CASH ON HAND AND AT BANKS

	2017 SR	2016 SR
Petty cash	-	4,098
Cash at banks	14,432,158	17,889,835
	14,432,158	17,893,933

4. PREPAID EXPENSES AND OTHER ASSETS

	2017 SR	2016 SR
Prepaid expenses	174,434	176,156
Prepaid Rents	150,000	-
Accrued Revenue	69,952	
Refundable deposits	50,625	50,625

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

445,011 226,781

5. AVAILABLE FOR SALE INVESTMENTS

The cost and fair value of available for sale investments as at December 31, 2017 are as follows:

	Initial Cost	Purchases	Sales through	Change in	Fair value
	SR	through the	the year	fair value	2017
		year	the year	SR	SR
2017					
Closed ended investment funds	20,000,000	27,500,000	(11,640,000)	4,416,936	40,276,936
Open ended investment funds	10,300,000	-	(8,115,022)	(121,025)	2,063,953
	<u>30,300,000</u>	<u>27,500,000</u>	<u>(19,755,022)</u>	<u>4,295,911</u>	<u>42,340,889</u>
2016					
Closed ended investment funds	20,000,000	-	-	2,232,600	22,232,600
Open ended investment funds	-	10,300,000	-	6,099	10,306,099
	<u>20,000,000</u>	<u>10,300,000</u>	<u>-</u>	<u>2,238,699</u>	<u>32,538,699</u>

* The investment represents in an investment in closed ended fund (Tharwat ABHA Real-Estate Fund) managed by the company and the company owns 20,000 share with a par value of 1,000 SR per share. During the year the fund liquidated 11,640 unit to the company at a price of 1,229.87 per unit. Thus, the total unit funds owned by the company as of 31 December 2017 is 8,360-unit fund.

* During the year the company invested in closed ended fund (Tharwat Al-Riyadh Industrial Fund) managed by the company and the company owns 2,750,000 units with a par value 10 SR for each unit.

6. REAL-ESTATE INVESTMENTS

Real-estate investments is represented in a land shared in its ownership with other partners with total size of 5,820 meter square according to the partnership contract, The company owns one third of the total area of the land mentioned & the land is registered under the name of Abdullah Ibrahim AlMaark (one of the partners in the land), During 2016 the land partners have done a contract with Petrolat company for the purpose of establishment of Fuel station on the land mentioned with the purpose of investment. The investment balance as at December 31, 2017 is as follows:

	2017	2016
	SR	SR
Land	<u>10,989,025</u>	10,989,025
Payments for establishment of fuel station	<u>2,000,000</u>	1,000,000
	<u>12,989,025</u>	<u>11,989,025</u>

7. PRE-OPERATING EXPENSES

Pre-operating expenses consists of cost and expenses the company paid during the establishment of the company and is amortized over 5 years, the balance as at December 31, 2016 are as follows:

2017	2016
SR	SR

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

Opening balance	865,277	1,179,923
Amortization of the year / period	(314,646)	(314,646)
	550,631	865,277

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

8. PROPERTY, PLANT AND EQUIPMENT, NET

	Decorations SR	Furniture and fixtures SR	Office equipment SR	Computers SR	Software SR	Vehicles SR	Projects under execution SR	2017 Total SR
January 1, 2017	633,621	457,014	92,286	109,723	323,580	44,500	-	1,660,724
Additions	-	1,250	22,870	3,909	-	49,900	658,727	736,656
December 31, 2017	633,621	458,264	115,156	113,632	323,580	94,400	658,727	2,397,380
<u>Accumulated depreciation</u>								
January 1, 2017	286,949	276,687	60,899	65,063	193,902	22,249	-	905,749
Charge for the period	126,724	114,394	27,837	27,924	80,895	11,575	-	389,349
December 31, 2017	413,673	391,081	88,736	92,987	274,797	33,824	-	1,295,098
<u>Net book value</u>								
December 31, 2017	219,948	67,183	26,420	20,645	48,783	60,576	658,727	1,102,282
December 31, 2016	346,672	180,327	31,387	44,660	129,678	22,251	-	754,975

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	2017 SR	2016 SR
Employees benefits	169,423	88,847
Accrued fees	105,000	78,333
Other accrued expenses	10,642	30,779
	<u>285,065</u>	<u>197,959</u>

10. ZAKAT

The principal elements of the Zakat base are as follows:

	2017 SR	2016 SR
Share capital	60,000,000	60,000,000
Investments	(42,683,954)	(42,289,025)
Retained Earnings /(losses)	1,644,872	(2,573,670)
Statutory Reserves	468,727	
Property and equipment	(1,712,208)	(994,234)
Provisions	204,076	101,061
Pre-operating expenses	(550,631)	(865,277)
Distributed Dividends	(6,620,000)	
Adjusted net profit/loss for the period	11,730,061	5,487,315
Zakat base	<u>22,480,943</u>	<u>18,866,170</u>
Expected zakat	562,022	471,654
Zakat Provision		
Balance at the beginning of the year	491,521	926,479
Additions during the year	562,022	471,654
Payments during the year	(411,384)	(906,612)
Balance at the ending of the year	<u>642,159</u>	<u>491,521</u>

Zakat Postion

The Zakat approval was submitted to the General Authority for Zakat and Income Tax (GAZT) until 31 December 2016. The company is still waiting for the final dues. The Authority issued a letter requesting the Company to settle an additional Zakat of SR1,919.631 for the fiscal years 2014 till 2015. GAZT indicated that the company has invested in investment funds that are not deductible for zakat purposes. The company objected to the initial zakat of Zakat issued by the Authority. The administration is confident that the objection rule will be in its favor. The Authority issued a restricted certificate for the year ended 31 December 2016 valid until 30 April 2018. The assessment was not issued for the period from 13 March 2014 to 31 December 2015.

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

11. SELLING AND MARKETING EXPENSES

The selling and marketing expenses are composed of the subscription commissions for issued shares for funds managed by the company.

12. GENERAL AND ADMINISTRATIVE EXPENSES

	2017 SR	2016 SR
Employees' salaries and benefits	3,544,625	3,653,844
Rent	706,875	556,875
Professional fees	412,080	316,183
Depreciations (note 8)	389,349	382,677
Amortization (note 7)	314,646	314,646
Government fees	131,456	99,349
Insurance	100,500	130,250
Maintenance and other office expenses	184,956	177,583
	5,784,487	5,631,407

13. CAPITAL REGULATORY REQUIREMENT AND CAPITAL ADEQUACY

The Company's objectives when managing capital are, to comply with the minimum capital requirements set by CMA; to safeguard the Company's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

The Company monitors the capital adequacy and related ratios using the framework established by CMA decision No. 1-40-2012 dated Safar 17, 1434H (corresponding to December 30, 2012). The rules provide that the authorized person must have a capital base on an ongoing basis that is compatible with at least the total capital requirements as set out in Part III of the prudential rules.

	2017 SR '000	2016 SR '000
Capital base		
Tier-1 Capital	65,848	61,248
Tier-2 Capital	4,296	2,239
Total Capital base	70,144	63,487
Minimum Capital		
Credit risk	32,041	23,247
Market risk	-	-
Operational risk	2,577	1,526
Total minimum capital requirements	34,618	24,773
Adequacy capital ratio (Time)		
Total Capital ratio (Time)	2.03	2.56
Surplus capital	35,526	38,714

THARWAT FOR FINANCIAL SECURITIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

14. STATUTORY RESERVE

In accordance with its By-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT AND FAIRVALUE

Financial instruments carried on the consolidated balance sheet include principally cash on hand and at banks, held for trading investments, available for sale investments, prepaid expenses and other assets and accrued expenses and other liabilities.

Credit risk

It is the inability of a party to fulfill his obligations which causes the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash at banks are placed with local banks with sound credit ratings. Trade receivables and other accounts are due mainly from customers in the local market and stated at net realizable value.

Market risk

It is the risk that the impact of fluctuations in market prices, such as interest rates and stock prices on the company's income or the value of its assets of financial instruments, the purpose of market risk management is to manage the exposure to market risks, reduce and keep it within acceptable limits at the same time maximizing the return of risk.

Foreign exchange risk

Foreign exchange rate risk comprises various risks related to the effect of changes in currency exchange rates on the Company's financial position and its cash flows. The Company monitors currency fluctuations and believes that the impact of currency risk is not material.

Liquidity risk

It is the inability of the Company to fulfill its obligations, specially loans obligations, The company has sufficient funds to meet these obligations when due.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Company manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration

Fair value

It represents the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties on arm's length basis. Since the Company's financial instruments are presented at historical cost basis, differences may arise between the book value and fair value estimates. Company's management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

16. GENERAL

Numbers shown on the accompanying financial statement are rounded to the nearest Saudi riyal.