

---

**Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**AUDITORS' REPORT TO THE SHAREHOLDERS OF  
GLOBAL INVESTMENT HOUSE SAUDIA  
(A CLOSED SAUDI JOINT STOCK COMPANY)**

**Scope of audit:**

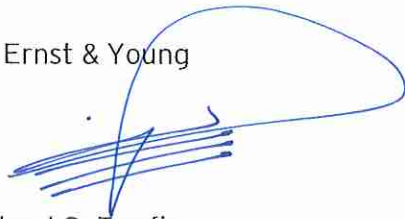
We have audited the accompanying balance sheet of Global Investment House Saudia- a Closed Saudi Joint Stock Company (the "Company") as at 31 December 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the requirements of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

**Unqualified opinion:**

In our opinion, the financial statements taken as a whole:

- i) present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's by-laws in so far as they affect the preparation and presentation of the financial statements.

for Ernst & Young



Waleed G. Tawfiq  
Certified Public Accountant  
Registration No. 437



Riyadh: 10 Jumad Al Thani 1438H  
(9 March 2017)

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

BALANCE SHEET

As at 31 December 2016

|   | <i>Notes</i> | <b>2016</b><br><b>SR</b> | <b>2015</b><br><b>SR</b> |
|---|--------------|--------------------------|--------------------------|
| <b>ASSETS</b>                                     |              |                          |                          |
| <b>CURRENT ASSETS</b>                             |              |                          |                          |
| Bank balances and cash                            | 3            | <b>33,622,760</b>        | 10,137,566               |
| Accrued income and prepayments                    | 4            | <b>3,447,977</b>         | 4,948,180                |
| <b>TOTAL CURRENT ASSETS</b>                       |              | <b>37,070,737</b>        | 15,085,746               |
| <b>NON-CURRENT ASSETS</b>                         |              |                          |                          |
| Available for sale investments                    | 5            | <b>20,404,225</b>        | 45,681,500               |
| Furniture and equipment                           | 6            | <b>52,374</b>            | 66,857                   |
| <b>TOTAL NON-CURRENT ASSETS</b>                   |              | <b>20,456,599</b>        | 45,748,357               |
| <b>TOTAL ASSETS</b>                               |              | <b>57,527,336</b>        | 60,834,103               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>       |              |                          |                          |
| <b>CURRENT LIABILITIES</b>                        |              |                          |                          |
| Accrued expenses and other payables               | 7            | <b>1,178,249</b>         | 3,750,256                |
| Amounts due to related parties                    | 8            | <b>104,357</b>           | 142,540                  |
| Zakat payable                                     | 9            | <b>5,254,014</b>         | 4,006,468                |
| <b>TOTAL CURRENT LIABILITIES</b>                  |              | <b>6,536,620</b>         | 7,899,264                |
| <b>NON-CURRENT LIABILITY</b>                      |              |                          |                          |
| Employees' terminal benefits                      | 10           | <b>693,228</b>           | 719,492                  |
| <b>TOTAL LIABILITIES</b>                          |              | <b>7,229,848</b>         | 8,618,756                |
| <b>SHAREHOLDERS' EQUITY</b>                       |              |                          |                          |
| Share capital                                     | 11           | <b>50,000,000</b>        | 50,000,000               |
| Statutory reserve                                 | 12           | <b>601,357</b>           | 601,357                  |
| Retained earnings                                 |              | <b>3,725,798</b>         | 5,431,181                |
| Investment revaluation losses                     | 5            | <b>(4,029,667)</b>       | (3,817,191)              |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |              | <b>50,297,488</b>        | 52,215,347               |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |              | <b>57,527,336</b>        | 60,834,103               |

The attached notes 1 to 22 form part of these financial statements.

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

STATEMENT OF INCOME

For the year ended 31 December 2016

|   | <i>Notes</i> | <b>2016</b><br>SR   | <b>2015</b><br>SR   |
|---|--------------|---------------------|---------------------|
| <b>INCOME</b>                                   |              |                     |                     |
| Asset management fees                           | 13           | 8,642,521           | 12,541,892          |
| Interest income on time deposit                 |              | 522,500             | -                   |
| Arranging income                                | 8.1          | 381,768             | -                   |
| Realised gain on available for sale investments | 5            | 153,331             | 40,635              |
| Dividend income                                 |              | 30,300              | 32,400              |
| Subscription income                             |              | 1,000               | 384,506             |
| Rental income                                   |              | -                   | 2,795,423           |
| <b>Total income</b>                             |              | <u>9,731,420</u>    | <u>15,794,856</u>   |
| <b>EXPENSES</b>                                 |              |                     |                     |
| Employees' salaries and related benefits        |              | (7,297,101)         | (8,749,938)         |
| Rent  |              | (629,048)           | (1,873,750)         |
| Depreciation                                    | 6            | (25,660)            | (394,918)           |
| General and administration                      | 14           | (2,164,380)         | (2,403,535)         |
| <b>Total operating expenses</b>                 |              | <u>(10,116,189)</u> | <u>(13,422,141)</u> |
| <b>(LOSS) INCOME FROM MAIN OPERATIONS</b>       |              | <u>(384,769)</u>    | 2,372,715           |
| Zakat   | 10           | (1,320,614)         | (1,311,921)         |
| <b>NET (LOSS) INCOME FOR THE YEAR</b>           |              | <u>(1,705,383)</u>  | <u>1,060,794</u>    |
| <b>(LOSS) EARNINGS PER SHARE</b>                |              |                     |                     |
| From main operations                            | 15           | <u>(0.08)</u>       | <u>0.47</u>         |
| From net (loss) income for the year             | 15           | <u>(0.34)</u>       | <u>0.21</u>         |

The attached notes 1 to 22 form part of these financial statements.



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

|   | <i>Notes</i> | <b>2016</b><br>SR   | <b>2015</b><br>SR |
|---|--------------|---------------------|-------------------|
| <b>OPERATING ACTIVITIES</b>                                 |              |                     |                   |
| (Loss) income before zakat                                  |              | <b>(384,769)</b>    | 2,372,715         |
| Adjustments for:  |              |                     |                   |
| Realised gain from sale of available for sale investments   | 5            | <b>(153,331)</b>    | (40,635)          |
| Depreciation  | 6            | <b>25,660</b>       | 394,918           |
| Provision for employees' terminal benefits                  |              | <b>227,252</b>      | 210,965           |
|   |              | <hr/>               | <hr/>             |
| <i>Operating cash flows before working capital changes</i>  |              | <b>(285,188)</b>    | 2,937,963         |
| Changes in operating assets and liabilities:                |              |                     |                   |
| Accrued income and prepayments                              |              | <b>1,500,203</b>    | (2,269,787)       |
| Accrued expenses and other payables                         |              | <b>(2,572,007)</b>  | 435,078           |
| Amounts due to related parties                              |              | <b>(38,183)</b>     | 141,540           |
|   |              | <hr/>               | <hr/>             |
| Cash (used in) from operations                              |              | <b>(1,395,175)</b>  | 1,244,794         |
| Employees' terminal benefits paid                           |              | <b>(253,516)</b>    | (49,331)          |
| Zakat paid  | 9            | <b>(73,068)</b>     | (1,303,651)       |
|   |              | <hr/>               | <hr/>             |
| Net cash used in operating activities                       |              | <b>(1,721,759)</b>  | (108,188)         |
| <b>INVESTING ACTIVITIES</b>                                 |              |                     |                   |
| Proceeds from sale of available for sale investments        |              | <b>25,487,927</b>   | 123,385           |
| Placement of time deposit                                   |              | <b>(25,000,000)</b> | -                 |
| Purchase of available for sale investments                  | 5            | <b>(269,797)</b>    | (47,452,750)      |
| Purchase of furniture and equipment                         | 6            | <b>(11,177)</b>     | (67,853)          |
|   |              | <hr/>               | <hr/>             |
| Net cash from (used in) investing activities                |              | <b>206,953</b>      | (47,397,218)      |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                |              |                     |                   |
|   |              | <b>(1,514,806)</b>  | (47,505,406)      |
| Cash and cash equivalents at beginning of the year          |              | <b>10,137,566</b>   | 57,642,972        |
|   |              | <hr/>               | <hr/>             |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>         | <b>3</b>     | <b>8,622,760</b>    | 10,137,566        |
|   |              | <hr/> <hr/>         | <hr/> <hr/>       |
| <b>Supplemental non-cash information</b>                    |              |                     |                   |
| Change in fair value of available for sale investments, net | 5            | <b>(59,145)</b>     | (4,692,323)       |
|   |              | <hr/> <hr/>         | <hr/> <hr/>       |

The attached notes 1 to 22 form part of these financial statements.

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2016

|  | <i>Share<br/>capital<br/>SR</i> | <i>Statutory<br/>reserve<br/>SR</i> | <i>Retained<br/>earnings<br/>SR</i> | <i>Investment<br/>revaluation losses<br/>SR</i> | <i>Total<br/>SR</i> |
|--|---------------------------------|-------------------------------------|-------------------------------------|---|---------------------|
| Balance at 31 December 2014            | 50,000,000                      | 495,278                             | 4,476,466                           | 915,767   | 55,887,511          |
| Net income for the year                | -                               | -                                   | 1,060,794                           | -   | 1,060,794           |
| Change in fair value (note 5)          | -                               | -                                   | -                                   | (4,692,323)                                     | (4,692,323)         |
| Realised gain during the year (note 5) | -                               | -                                   | -                                   | (40,635)  | (40,635)            |
| Transfers to the statutory reserve     | -                               | 106,079                             | (106,079)                           | -   | -                   |
| Balance at 31 December 2015            | 50,000,000                      | 601,357                             | 5,431,181                           | (3,817,191)                                     | 52,215,347          |
| Net loss for the year                  | -                               | -                                   | (1,705,383)                         | -   | (1,705,383)         |
| Change in fair value (note 5)          | -                               | -                                   | -                                   | (59,145)  | (59,145)            |
| Realised gain during the year (note 5) | -                               | -                                   | -                                   | (153,331)                                       | (153,331)           |
| <b>Balance at 31 December 2016</b>     | <b>50,000,000</b>               | <b>601,357</b>                      | <b>3,725,798</b>                    | <b>(4,029,667)</b>                              | <b>50,297,488</b>   |

The attached notes 1 to 22 form part of these financial statements.

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2016

**1 ACTIVITIES**

Global Investment House Company - Saudia (the "Company") is a Closed Saudi Joint Stock Company registered with the Capital Market Authority (CMA) under license number 07067-37 dated 2 Jumada Al Thani 1428H (corresponding to 17 June 2007).

The Company operates in the Kingdom of Saudi Arabia under commercial registration number 1010245276 dated 23 Safar 1429H, corresponding to 2 March 2008.

The objectives of the Company are to act as principal and agent and provide underwriting, managing, advisory, arranging and custodial services.

**2 SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

***Accounting convention***

These financial statements are prepared under the historical cost convention, modified to include the measurement at fair value of available for sale investments.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

***Cash and cash equivalents***

For the purpose of cash flows statement preparation, cash and cash equivalents consist of bank balances, cash in hand and investments that are readily convertible into known amounts of cash and have an original maturity period of three months or less.

***Accounts receivable***

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

***Available for sale investments***

Investments, that are bought neither with the intention of being held to maturity nor for trading purposes, are stated at fair value and are included under non-current assets unless they will be sold in the next fiscal year. After initial measurement, changes in fair value are recognised in the statements of changes in shareholders' equity until the investment is derecognised, at which time the cumulative change in fair value is recognised in the statement of income. Any decline in value considered to be other than temporary is charged to the statement of income. Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques. Otherwise, cost is considered to be the fair value.



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Furniture and equipment***

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of furniture and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvements or the term of the lease.

Expenditure for repair and maintenance are charged to statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalised.

***Impairment and uncollectibility 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 recognised in the statement of income. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

***Zakat***

Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. The provision is charged to the statement of income.

***Accrued expenses and other payables***

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

***Provisions***

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

***Employees' terminal benefits***

Provision is made for amounts payable under the Saudi Arabian labour law applicable to employees' accumulated periods of service at the balance sheet date.

***Revenue recognition***

***Management fees***

Fees charged for managing mutual funds and private portfolios are recognised as revenue rateably as the services are provided. Subscription fees from funds are recognised upon subscription. Performance fees is recognised at the year end, if the results meet the annual pre-set target.

***Interest income***

Interest income is recognised on an effective yield basis.



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Revenue recognition (continued)*

*Advisory income*

Incomes from advisory services are recognised based on the respective service contract or on a time proportionate basis.

*Dividend income*

Dividend income from available for sale investments is recognised when the right to receive the dividend is established.

*Foreign currencies*

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

*Expenses*

All expenses that are classified as general and administration expenses. Material expenses such as employee's costs, depreciation and rent are reported separately.

**3 BANK BALANCE AND CASH**

|  | 2016<br>SR        | 2015<br>SR        |
|--|-------------------|-------------------|
| Bank balances  | 8,612,760         | 10,102,114        |
| Cash in hand   | 10,000            | 10,000            |
| Cash balance with portfolio manager                          | -                 | 25,452            |
|  | <u>8,622,760</u>  | <u>10,137,566</u> |
| Cash and cash equivalents                                    | 8,622,760         | 10,137,566        |
| Time deposit with original maturity of more than ninety days | 25,000,000        | -                 |
|  | <u>33,622,760</u> | <u>10,137,566</u> |

**4 ACCRUED INCOME AND PREPAYMENTS**

|   | 2016<br>SR       | 2015<br>SR       |
|---|------------------|------------------|
| Accrued management fee                    | 3,045,120        | 3,875,290        |
| Prepaid expenses                          | 224,237          | 307,991          |
| Rent Receivable                           | 110,054          | 145,212          |
| Security deposit                          | 59,683           | 344,291          |
| Amounts due from related parties (note 8) | -                | 32,500           |
| Other receivable                          | 8,883            | 242,896          |
|   | <u>3,447,977</u> | <u>4,948,180</u> |

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

5 AVAILABLE FOR SALE INVESTMENTS

|   | 2016<br>SR        | 2015<br>SR        |
|---|-------------------|-------------------|
| Global Saudi Equity Fund                        | 19,220,336        | 19,515,549        |
| Al Noor Fund                                    | 632,369           | 684,900           |
| Shares traded on Saudi Stock Exchange (Tadawul) | 551,520           | 418,280           |
| Alinma Liquidity Fund                           | -                 | 25,062,771        |
|   | <u>20,404,225</u> | <u>45,681,500</u> |

Following is the movement in available for sale investments (AFS) during the year:

|                                       | 2016<br>SR         | 2015<br>SR         |
|---------------------------------------|--------------------|--------------------|
| <u>Cost:</u>                          |                    |                    |
| At beginning of the year              | 49,498,691         | 2,128,691          |
| Additions during the year             | 269,797            | 47,452,750         |
| Disposals during the year             | (25,334,596)       | (82,750)           |
| Cost at end of the year               | <u>24,433,892</u>  | <u>49,498,691</u>  |
| <u>Valuation adjustment:</u>          |                    |                    |
| At beginning of the year              | (3,817,191)        | 915,767            |
| Change in fair value                  | (59,145)           | (4,692,323)        |
| Realised gain during the year         | (153,331)          | (40,635)           |
| At end of the year                    | <u>(4,029,667)</u> | <u>(3,817,191)</u> |
| Net AFS investment at end of the year | <u>20,404,225</u>  | <u>45,681,500</u>  |

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**6 FURNITURE AND EQUIPMENT**

The cost of furniture and equipment is depreciated on a straight-line basis over the estimated useful lives as set out below:

|   |           |
|---|-----------|
| Furniture and fixtures                      | 4 years   |
| Computer hardware and software              | 3-4 years |
| Office equipment and lease hold improvement | 3-6 years |

|                            | <i>Furniture and<br/>fixtures</i><br>SR | <i>Computer<br/>hardware and<br/>software</i><br>SR | <i>Office<br/>equipment and<br/>lease hold<br/>improvement</i><br>SR | <i>Total<br/>2016</i><br>SR | <i>Total<br/>2015</i><br>SR |
|----------------------------|---|---|--|-----------------------------|-----------------------------|
| <i>Cost:</i>               |   |   |  |                             |                             |
| At beginning of the year   | 6,568,919                               | 4,423,638   | 8,422,980  | <b>19,415,537</b>           | 19,347,684                  |
| Additions                  | -                                       | -   | 11,177   | <b>11,177</b>               | 67,853                      |
| At end of the year         | <u>6,568,919</u>                        | <u>4,423,638</u>                                    | <u>8,434,157</u>   | <u><b>19,426,714</b></u>    | <u>19,415,537</u>           |
| <i>Depreciation:</i>       |   |   |  |                             |                             |
| At beginning of the year   | 6,541,929                               | 4,383,771   | 8,422,980  | <b>19,348,680</b>           | 18,953,762                  |
| Charge for the year        | 11,992                                  | 13,243  | 425  | <b>25,660</b>               | 394,918                     |
| At end of the year         | <u>6,553,921</u>                        | <u>4,397,014</u>                                    | <u>8,423,405</u>   | <u><b>19,374,340</b></u>    | <u>19,348,680</u>           |
| <i>Net book amounts:</i>   |   |   |  |                             |                             |
| <b>At 31 December 2016</b> | <u><b>14,998</b></u>                    | <u><b>26,624</b></u>                                | <u><b>10,752</b></u>   | <u><b>52,374</b></u>        |                             |
| At 31 December 2015        | <u>26,990</u>                           | <u>39,867</u>                                       | -  |                             | <u>66,857</u>               |

**7 ACCRUED EXPENSES AND OTHER PAYABLES**

|                  | <b>2016</b><br>SR       | <b>2015</b><br>SR |
|------------------|-------------------------|-------------------|
| Accrued expenses | <b>1,121,116</b>        | 3,412,909         |
| Accounts payable | <b>57,133</b>           | 337,347           |
|                  | <u><b>1,178,249</b></u> | <u>3,750,256</u>  |

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**8 RELATED PARTIES TRANSACTIONS AND BALANCES**

The following are the details of major related party transactions, which have occurred during the year, along with related balances at the year end:

| Related party   | Nature of transaction                                  | Amount of transaction,<br>debit (credit) |              | Balance,<br>due from/due to |            |
|---|--|--|--------------|-----------------------------|------------|
|   |  | 2016<br>SR                               | 2015<br>SR   | 2016<br>SR                  | 2015<br>SR |
| <b>Shareholders</b>   |  |  |              |                             |            |
| <i>Global Investment House Kuwait (GIHK) (the "Parent Company")</i> |  |  |              |                             |            |
|   | Expenses paid by GIHK                                  | <b>(36,923)</b>                          | (71,833)     | <b>(88,814)</b>             | (51,891)   |
| <b>Affiliates</b>   |  |  |              |                             |            |
| <i>Funds under management</i>                                       |  |  |              |                             |            |
|   | Audit fee paid (received) from assets under management | <b>75,106</b>                            | (89,649)     | <b>(15,543)</b>             | (90,649)   |
|   | Tadawul fees   | <b>(32,500)</b>                          | 22,500       | -                           | 32,500     |
|   | Asset management fees                                  | <b>(8,642,521)</b>                       | (12,541,892) | <b>2,522,620</b>            | 3,875,290  |
| <i>Board of directors</i>   |  |  |              |                             |            |
|   | Board fees to independent board members                | <b>374,000</b>                           | 350,000      | -                           | -          |

Amount due from related parties is shown under note 4 and amount due to related parties is shown on the balance sheet. The Company's wealth management team has worked on a project related to Global Investment House Bahrain and incurred employee costs aggregating to SR 104,959, which was written off during the year.

8.1 The Company arranged private placements on behalf of the Parent Company in which it earned an arranging income fee of SR 381,768 (2015: Nil). The private placements are managed by the Parent Company, which earns management fee on those deals. The Company merely acts as an agent for the Parent Company in providing arranging services.

**9 ZAKAT**

**Charge for the year**

The zakat charge consists of the current year provision amounting to SR 1,320,614 (2015: SR 1,311,921).

The provision is based on the following zakat base:

|                                     | 2016<br>SR         | 2015<br>SR  |
|-------------------------------------|--------------------|-------------|
| Equity                              | <b>56,032,538</b>  | 54,971,744  |
| Provisions                          | <b>4,334,864</b>   | 3,179,255   |
| Book value of long term assets      | <b>(6,435,560)</b> | (7,480,028) |
|                                     | <b>53,931,842</b>  | 50,670,971  |
| Adjusted (loss) profit for the year | <b>(1,107,299)</b> | 1,805,869   |
| Zakat base                          | <b>52,824,543</b>  | 52,476,840  |
| Zakat due thereon at 2.5%           | <b>1,320,614</b>   | 1,311,921   |



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**9 ZAKAT (continued)**

*Movement in provision during the year*

|                          | 2016<br>SR       | 2015<br>SR       |
|--------------------------|------------------|------------------|
| At beginning of the year | 4,006,468        | 3,998,198        |
| Provision on zakat base  | 1,320,614        | 1,311,921        |
| Payments during the year | (73,068)         | (1,303,651)      |
| At end of the year       | <u>5,254,014</u> | <u>4,006,468</u> |

*Status of assessments*

Zakat returns have been filed with the General Authority for zakat and tax (the "GAZT") for all the years from 2008 to 2015.

During the prior year, the Company received zakat assessment in respect of the years ended 31 December 2008 through 2014. The GAZT raised additional claims of SR 4.71 million for these years. The additional claim is primarily due to the disallowance of foreign investments from the zakat base of the Company. The Company has filed an appeal against the assessment order and has recorded related provisions / paid the amounts. Assessments have not been finalised by the GAZT for the year ended 31 December 2015.

**10 EMPLOYEES' TERMINAL BENEFITS**

|                                  | 2016<br>SR     | 2015<br>SR     |
|----------------------------------|----------------|----------------|
| Balance at beginning of the year | 719,492        | 557,858        |
| Provided for during the year     | 227,252        | 210,965        |
| Paid during the year             | (253,516)      | (49,331)       |
| Balance at end of the year       | <u>693,228</u> | <u>719,492</u> |

**11 SHARE CAPITAL**

Capital is divided into 5,000,000 shares (31 December 2015: 5,000,000 shares) of SR 10 each. There were certain changes in the shareholding of the Company during the year. The old and revised shareholding as at 31 December 2016 is as follows:

|                                | 2016          |                   | 2015          |                   |
|--------------------------------|---------------|-------------------|---------------|-------------------|
|                                | %             | SR                | %             | SR                |
| <i>Shareholder</i>             |               |                   |               |                   |
| Global Investment House Kuwait | 99.93         | 49,963,120        | 99.85         | 49,926,240        |
| Other individual shareholders  | 0.07          | 36,880            | 0.15          | 73,760            |
|                                | <u>100.00</u> | <u>50,000,000</u> | <u>100.00</u> | <u>50,000,000</u> |

**12 STATUTORY RESERVE**

As required by Saudi Arabian Regulations for Companies, the Company transfers 10% of the income for the year, after absorption of accumulated losses to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution to shareholders. No transfers were made during the year due to net loss for the year.

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**13 ASSET MANAGEMENT FEES**

|                     | 2016<br>SR       | 2015<br>SR        |
|---------------------|------------------|-------------------|
| Management fees     | 8,073,006        | 11,764,042        |
| Administrative fees | 569,515          | 777,850           |
|                     | <u>8,642,521</u> | <u>12,541,892</u> |

**14 GENERAL AND ADMINISTRATION EXPENSES**

|                                  | 2016<br>SR       | 2015<br>SR       |
|----------------------------------|------------------|------------------|
| Professional fees                | 952,863          | 703,709          |
| Board remuneration (note 8)      | 374,000          | 350,000          |
| Subscriptions                    | 294,806          | 237,007          |
| Per diem, travel and air tickets | 149,256          | 188,502          |
| Utilities                        | 131,986          | 218,350          |
| Internet charges                 | 56,778           | 163,125          |
| Communication                    | 30,029           | 39,431           |
| IT support and testing           | 19,504           | 25,084           |
| Maintenance charges              | 7,420            | 113,468          |
| Security charges                 | -                | 192,000          |
| Other                            | 147,738          | 172,859          |
|                                  | <u>2,164,380</u> | <u>2,403,535</u> |

**15 (LOSS) EARNING PER SHARE**

(Loss) earnings per share attributable to income from main operation and net (loss) income for the year is calculated by dividing results from main operations and the net result for the year, respectively, by the weighted average number of shares outstanding at the year end.

Weighted average number of shares for the year ended 31 December 2016 are 5,000,000 shares (2015: 5,000,000 shares).

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS**

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

A fair value measurement 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.

Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**16 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

Financial instruments comprise financial assets and financial liabilities. The Company's financial assets consist of cash and cash equivalents, receivables and available for sale investments. Its financial liabilities consist of amounts due to related parties, accrued expenses and other payables.

The fair values of financial instruments are not materially different from their carrying values.

**17 RISK MANAGEMENT**

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The company is subject to interest rate risk on its interest bearing financial assets mainly time deposits. The company manages its exposure to interest rate risk by continuously monitoring movements in interest rates.

*Credit risk*

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. With respect to credit risk arising from the financial assets of the Company, including bank balance and receivables, the Company's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

*Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Deposits are generally placed for short periods to manage the Company's liquidity requirements. All liabilities on the Company's balance sheet, other than end of service benefits, are contractually payable on a current basis.

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to significant fluctuations in foreign exchange rates in the normal course of its business.

*Equity price risk*

Equity price risk is the risk that the fair values of equities fluctuate as a result of changes in the levels of equity indices and the value of individual stocks. The Company does not have a formal risk management process in place to track the equity price risk against underlying indices and sensitivity of its income to change in equity indices is accordingly not tracked.

**18 FIDUCIARY ACCOUNT**

The Company holds the following balances in a fiduciary capacity. These are not treated as assets of the Company and accordingly are not included in these financial statements:

|                         | 2016<br>SR         | 2015<br>SR         |
|-------------------------|--------------------|--------------------|
| Assets under management | <u>609,308,249</u> | <u>696,075,481</u> |

The Company's seed money investment in Global Saudi Equity Fund and Al Noor Fund are included in the above net asset values.



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

19 SEGMENT INFORMATION

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

*Corporate*

This segment includes revenue from the Company's available for sale investments and Interest income on time deposits. It also includes certain common expenses and assets and liabilities that are not allocated to the other three segments.

*Asset management services*

This segment is responsible for management of investor's funds through various mutual funds to meet specified investment goals for the benefit of investors.

*Investment banking*

Responsible for financial advisory services including due diligences and valuation services to investors.

|   | <i>Corporate</i><br>SR | <i>Asset<br/>management<br/>services</i><br>SR | <i>Investment<br/>banking</i><br>SR | <i>Total</i><br>SR |
|---|------------------------|--|-------------------------------------|--------------------|
| <b>31 December 2016</b>                   |                        |  |                                     |                    |
| <b>Income</b>                             | 1,087,897              | 8,643,523                                      | -                                   | 9,731,420          |
| <b>Expenses:</b>                          |                        |  |                                     |                    |
| Employees' salaries and related benefits  | -                      | 7,062,215                                      | 234,886                             | 7,297,101          |
| Rent and premises                         | -                      | 560,427  | 68,621                              | 629,048            |
| Depreciation                              | -                      | 24,427   | 1,233                               | 25,660             |
| General and administration                | -                      | 2,020,760                                      | 143,620                             | 2,164,380          |
| <b>Total expenses</b>                     | -                      | 9,667,829                                      | 448,360                             | 10,116,189         |
| <b>Income (loss) from main operations</b> | 1,087,897              | (1,024,306)                                    | (448,360)                           | (384,769)          |
| <b>Total assets</b>                       | 57,417,596             | 84,740   | 25,000                              | 57,527,336         |
| <b>Total liabilities</b>                  | 6,941,960              | 287,888  | -                                   | 7,229,848          |
|   |                        | <i>Asset<br/>management<br/>services</i>       | <i>Investment<br/>Banking</i>       | <i>Total</i>       |
| <b>31 December 2015</b>                   | <i>Corporate</i><br>SR | SR   | SR                                  | SR                 |
| <b>Income</b>                             | 2,868,458              | 12,926,398                                     | -                                   | 15,794,856         |
| <b>Expenses:</b>                          |                        |  |                                     |                    |
| Employees' salaries and related benefits  | -                      | 8,417,788                                      | 332,150                             | 8,749,938          |
| Rent and premises                         | 1,355,304              | 379,814  | 138,632                             | 1,873,750          |
| Depreciation                              | -                      | 375,127  | 19,791                              | 394,918            |
| General and administration                | -                      | 2,239,879                                      | 163,656                             | 2,403,535          |
| <b>Total expenses</b>                     | 1,355,304              | 11,412,608                                     | 654,229                             | 13,422,141         |
| <b>Income (loss) from main operations</b> | 1,513,154              | 1,513,790                                      | (654,229)                           | 2,372,715          |
| <b>Total assets</b>                       | 60,728,248             | 80,855   | 25,000                              | 60,834,103         |
| <b>Total liabilities</b>                  | 8,387,379              | 231,377  | -                                   | 8,618,756          |



Global Investment House Saudia  
(A Closed Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2016

**20 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO**

The capital base, minimum capital requirement and capital adequacy ratio of the Company as per the CMA's Prudential Rules are as follows:

|   | 2016<br>SR        | 2015<br>SR        |
|---|-------------------|-------------------|
| <i>Capital Base:</i>                                |                   |                   |
| Tier 1 Capital                                      | 50,297,488        | 52,215,347        |
| Tier 2 Capital                                      | -                 | -                 |
|   | <u>50,297,488</u> | <u>52,215,347</u> |
| Total Capital Base                                  | 50,297,488        | 52,215,347        |
| <i>Minimum Capital Requirement:</i>                 |                   |                   |
| Market Risk   | 26                | 26                |
| Credit Risk   | 11,407,898        | 26,905,565        |
| Operational Risk                                    | 2,859,201         | 3,683,515         |
|   | <u>14,267,125</u> | <u>30,589,106</u> |
| Total Minimum Capital Required (see note (d) below) | 14,267,125        | 30,589,106        |
| <i>Capital Adequacy Ratio:</i>                      |                   |                   |
| <b>Total Capital Ratio (times)</b>                  | <b>3.53</b>       | 1.71              |
| <b>Tier 1 Capital Ratio (times)</b>                 | <b>3.53</b>       | 1.71              |
| <b>Surplus in the capital (see note (d) below)</b>  | <b>36,030,363</b> | 21,626,241        |

- a) The capital base consists of Tier 1 capital (which includes share capital and audited retained earnings) and Tier 2 capital (which include investment revaluation reserve). The minimum capital requirements for market, credit and operational risk are calculated as per the requirements specified in part 3 of the Prudential Rules.
- b) The Company manages its capital base in light of Pillar I and Pillar II of the Prudential Rules - the capital base should not be less than the minimum capital requirement.
- c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.
- d) The minimum capital required as per Article 6 (g) of the Authorised Persons regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia in respect of the licensed activities of the Company is SR 50 million.
- e) The Company discloses on annual basis certain information as per Pillar III of the Prudential Rules for public on the Company's website (<http://www.globalinv.net/saudi>). However these are not subject to review or audit by the external auditors of the Company.

**21 COMPARATIVE FIGURES**

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

**22 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 10 Jumad Al Thani 1438H (corresponding to 9 March 2017).