

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

FINANCIAL STATEMENTS

31 DECEMBER 2015

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 (the "Company") as at 31 December 2015 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 provisions of Article 123 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 2015 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: 23 Jumad Awal 1437H
(3 March 2016)

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

BALANCE SHEET

As at 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	10,137,566	57,642,972
Accrued income, prepayments and other receivables	4	4,948,180	2,678,393
TOTAL CURRENT ASSETS		<u>15,085,746</u>	<u>60,321,365</u>
NON-CURRENT ASSETS			
Available for sale investments	5	45,681,500	3,044,458
Property and equipment	6	66,857	393,922
TOTAL NON-CURRENT ASSETS		<u>45,748,357</u>	<u>3,438,380</u>
TOTAL ASSETS		<u>60,834,103</u>	<u>63,759,745</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	7	7,756,724	7,313,376
Amounts due to related parties	8	142,540	1,000
TOTAL CURRENT LIABILITIES		<u>7,899,264</u>	<u>7,314,376</u>
NON-CURRENT LIABILITY			
Employees' terminal benefits		719,492	557,858
TOTAL LIABILITIES		<u>8,618,756</u>	<u>7,872,234</u>
SHAREHOLDERS' EQUITY			
Share capital	10	50,000,000	50,000,000
Statutory reserve	11	601,357	495,278
Retained earnings		5,431,181	4,476,466
Investment revaluation (loss) reserve	5	(3,817,191)	915,767
TOTAL SHAREHOLDERS' EQUITY		<u>52,215,347</u>	<u>55,887,511</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>60,834,103</u>	<u>63,759,745</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 INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 SR	2014 SR
INCOME			
Asset management fees	12	12,541,892	16,146,638
Rental income		2,795,423	2,634,127
Subscription fee income		384,506	72,736
Realised gain on available for sale investments	5	40,635	1,853,124
Dividend income		32,400	131,083
Advisory income, net	13	-	635,607
Special commission income		-	76,506
Total income		<u>15,794,856</u>	<u>21,549,821</u>
EXPENSES			
Employees' salaries and related benefits		(8,749,938)	(6,986,804)
Rent		(1,873,750)	(1,873,750)
Depreciation	6	(394,918)	(1,527,539)
General and administration	14	(2,403,535)	(2,126,318)
Total operating expenses		<u>(13,422,141)</u>	<u>(12,514,411)</u>
INCOME FROM MAIN OPERATIONS		<u>2,372,715</u>	<u>9,035,410</u>
Zakat	9	(1,311,921)	(4,082,633)
NET INCOME FOR THE YEAR		<u>1,060,794</u>	<u>4,952,777</u>
EARNINGS PER SHARE			
From main operations	15	<u>0.47</u>	<u>1.56</u>
From net income for the year	15	<u>0.21</u>	<u>0.85</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 2015

	<i>Notes</i>	2015 SR	2014 SR
OPERATING ACTIVITIES			
Income before zakat		2,372,715	9,035,410
Adjustments for:			
Realised gain from sale of available for sale investments	5	(40,635)	(1,853,124)
Depreciation	6	394,918	1,527,539
Provision for employees' terminal benefits		210,965	253,634
		<hr/>	<hr/>
<i>Operating cash flows before working capital changes</i>		2,937,963	8,963,459
Changes in operating assets and liabilities:			
Accrued income, prepayments and other receivables		(2,269,787)	(285,787)
Accrued expenses and other payables		435,078	(214,965)
Amounts due to related parties		141,540	(105,959)
		<hr/>	<hr/>
Cash from operations		1,244,794	8,356,748
Employees' terminal benefits paid		(49,331)	(424,484)
Zakat paid	9	(1,303,651)	(2,588,829)
		<hr/>	<hr/>
Net cash (used in) from operating activities		(108,188)	5,343,435
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(67,853)	(8,998)
Purchase of available for sale investments	5	(47,452,750)	(4,085,093)
Proceeds from sale of available for sale investments		123,385	8,363,962
		<hr/>	<hr/>
Net cash (used in) from investing activities		(47,397,218)	4,269,871
		<hr/>	<hr/>
FINANCING ACTIVITY			
Reduction of share capital, net payments to shareholders	10	-	(26,626,120)
		<hr/>	<hr/>
Net cash used in financing activity		-	(26,626,120)
		<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		(47,505,406)	(17,012,814)
Cash and cash equivalents at beginning of the year		57,642,972	74,655,786
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	10,137,566	57,642,972
		<hr/> <hr/>	<hr/> <hr/>
Supplemental non-cash information			
Change in fair value of available for sale investments, net	5	(4,692,323)	1,623,403
		<hr/> <hr/>	<hr/> <hr/>
Absorption of losses		-	68,373,880
		<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 2015

	Share capital SR	Statutory reserve SR	Retained earnings / (accumulated losses) SR	Investment revaluation reserve (loss) SR	Total SR
Balance at 31 December 2013	145,000,000	-	(68,354,913)	1,145,488	77,790,575
Decrease in capital (note 10)	(95,000,000)	-	68,373,880	-	(26,626,120)
Net income for the year	-	-	4,952,777	-	4,952,777
Change in fair value (note 5)	-	-	-	1,623,403	1,623,403
Realised gain during the year (note 5)	-	-	-	(1,853,124)	(1,853,124)
Transfers to the statutory reserve	-	495,278	(495,278)	-	-
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

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 2015

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

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

The carrying values of property 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 preset target.

Special commission income

Special commission 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 2015

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 not directly related to selling and distribution are classified as general and administration expenses. Material expenses such as employee's costs, depreciation and rent are reported separately.

3 CASH AND CASH EQUIVALENTS

	2015 SR	2014 SR
Bank balances	10,102,114	52,375,637
Cash in hand	10,000	10,000
	<u>10,112,114</u>	<u>52,385,637</u>
Cash balance with portfolio manager	25,452	5,257,335
	<u>10,137,566</u>	<u>57,642,972</u>

4 ACCRUED INCOME, PREPAYMENTS AND OTHER RECEIVABLES

	2015 SR	2014 SR
Accrued management fee	3,875,290	1,926,239
Security deposit	344,291	344,291
Prepaid expenses	307,991	331,440
Recoverable costs	194,099	-
Accrued rent	145,212	-
Amounts due from related parties (note 8)	32,500	53,761
Employees' receivables	10,600	7,362
Other receivable	38,197	15,300
	<u>4,948,180</u>	<u>2,678,393</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

5 AVAILABLE FOR SALE INVESTMENTS

	2015 SR	2014 SR
Alinma Liquidity Fund	25,062,771	-
Global Saudi Equity Fund	19,515,549	1,779,858
Al Noor Fund	684,900	795,732
Shares traded on Saudi Stock Exchange (Tadawul)	418,280	468,868
	<u>45,681,500</u>	<u>3,044,458</u>

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

	2015 SR	2014 SR
<i>Cost:</i>		
At beginning of the year	2,128,691	4,554,436
Additions during the year	47,452,750	4,085,093
Disposals during the year	(82,750)	(6,510,838)
Cost at end of the year	<u>49,498,691</u>	<u>2,128,691</u>
<i>Valuation adjustment:</i>		
At beginning of the year	915,767	1,145,488
Change in fair value	(4,692,323)	1,623,403
Realised gain during the year	(40,635)	(1,853,124)
At end of the year	<u>(3,817,191)</u>	<u>915,767</u>
Net AFS investment at end of the year	<u>45,681,500</u>	<u>3,044,458</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

6 PROPERTY AND EQUIPMENT

The cost of property 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 fixtures</i> SR	<i>Computer hardware and software</i> SR	<i>Office equipment & lease hold improvement</i> SR	<i>Total 2015</i> SR	<i>Total 2014</i> SR
<i>Cost:</i>					
At beginning of the year	6,532,944	4,391,760	8,422,980	19,347,684	19,338,686
Additions	35,975	31,878	-	67,853	8,998
At end of the year	<u>6,568,919</u>	<u>4,423,638</u>	<u>8,422,980</u>	<u>19,415,537</u>	<u>19,347,684</u>
<i>Depreciation:</i>					
At beginning of the year	6,163,129	4,374,381	8,416,252	18,953,762	17,426,223
Charge for the year	378,800	9,390	6,728	394,918	1,527,539
At end of the year	<u>6,541,929</u>	<u>4,383,771</u>	<u>8,422,980</u>	<u>19,348,680</u>	<u>18,953,762</u>
<i>Net book amounts:</i>					
At 31 December 2015	<u>26,990</u>	<u>39,867</u>	<u>-</u>	<u>66,857</u>	
At 31 December 2014	<u>369,815</u>	<u>17,379</u>	<u>6,728</u>		<u>393,922</u>

7 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>2015</i> SR	<i>2014</i> SR
Accrued expenses	3,412,909	2,684,107
Zakat payable (note 9)	4,006,468	3,998,198
Accounts payable	337,347	631,071
	<u>7,756,724</u>	<u>7,313,376</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

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, debit (credit)		Balance, debit (credit)	
		2015 SR	2014 SR	2015 SR	2014 SR
Shareholders					
Global Investment	Time deposit placed	-	76,506	-	-
House Kuwait (GIHK)	Time deposit redeemed	-	(27,580,212)	-	-
	Special commission income on deposit	-	(76,506)	-	-
	Expenses paid by GIHK	(71,833)	54,651	(51,891)	19,942
	Professional fees	-	1,906,820	-	-
	Payment of professional fees	-	(1,906,820)	-	-
Affiliates					
Funds under management	Audit fee paid (received) from assets under management	(89,649)	71,250	(90,649)	(1,000)
	Tadawul fees	22,500	10,000	32,500	10,000
	Asset management fees	(12,541,892)	(16,146,638)	-	-
Other affiliated companies	Expenses	(23,819)	19,345	-	23,819
Board of directors	Board fees to independent board members	350,000	100,000	-	-

Amount due from related parties is shown under note 4 and amount due to related parties is shown on the balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

9 ZAKAT

The zakat charge consists of the current year provision amounting to SR 1,311,921 (2014: SR 1,298,199) and prior year adjustment of Nil (2014: 2,784,434).

The provision is based on the following zakat base:

	2015 SR	2014 SR
Equity	54,971,744	50,697,654
Provisions	3,179,255	728,708
Book value of long term assets	(7,480,028)	(8,664,158)
	<u>50,670,971</u>	<u>42,762,204</u>
Adjusted profit for the year	1,805,869	9,165,736
	<u>52,476,840</u>	<u>51,927,940</u>
Zakat base	<u>52,476,840</u>	<u>51,927,940</u>
Zakat due thereon at 2.5%	<u>1,311,921</u>	<u>1,298,199</u>

Movement in provision during the year

	2015 SR	2014 SR
At beginning of the year	3,998,198	2,504,394
Provision on zakat base	1,311,921	1,298,199
Prior years adjustments (see note below)	-	2,784,434
Payments during the year	(1,303,651)	(2,588,829)
	<u>4,006,468</u>	<u>3,998,198</u>

Status of assessments

Zakat returns have been filed with the Department of Zakat and Income tax (the "DZIT") for all the years from 2008 to 2014. Assessments have not been finalised by the DZIT for the years ended 31 December 2012 through 2014.

During the prior year, the Company has received zakat assessment in respect of the years ended 31 December 2008 through 2011. The DZIT 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 and certain calculation errors by the DZIT. The Company has filed an appeal against the assessment order and has recorded related provisions / paid the amounts.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

10 SHARE CAPITAL

Capital is divided into 5,000,000 shares (2014: 5,000,000 shares) of SR 10 each.

During 2014, pursuant to the Board of Directors' recommendation, the shareholders have in their extraordinary general assembly meeting dated 30 January 2014, approved reduction of the Company's capital from SR 145 million to SR 50 million. The shareholders have absorbed losses of SR 68,373,880 against the amount of the capital reduced. Remaining cash of 26,626,120 was distributed to the shareholders in proportion to their capital reduction. The legal formalities for reduction in capital were completed during the year ended 31 December 2014.

The shareholding as at 31 December 2015 and 31 December 2014 was as follows:

<i>Shareholder</i>	<i>Shareholding %</i>	<i>Number of shares</i>	<i>Value SR</i>
Global Investment House Kuwait	99.85%	4,992,624	49,926,240
Other individual shareholders	0.15%	7,376	73,760
Total	100.00%	5,000,000	50,000,000

11 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, the Company has transferred 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.

12 ASSET MANAGEMENT FEES

	<i>2015 SR</i>	<i>2014 SR</i>
Management fees	11,764,042	15,288,084
Administrative fees	777,850	858,554
	12,541,892	16,146,638

13 ADVISORY INCOME, NET

	<i>2015 SR</i>	<i>2014 SR</i>
Advisory income	-	2,542,427
Less: professional fees (note 8)	-	(1,906,820)
	-	635,607

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

14 GENERAL AND ADMINISTRATION EXPENSES

	2015 SR	2014 SR
Professional fees	703,709	520,614
Board remuneration (note 8)	350,000	100,000
Subscriptions	237,007	142,772
Utilities	218,350	268,208
Security charges	192,000	192,000
Per diem, travel and air tickets	188,502	149,776
Internet charges	163,125	113,004
Maintenance charges	113,468	156,986
Communication	39,431	44,594
IT support and testing	25,084	24,915
Other	172,859	413,449
	<u>2,403,535</u>	<u>2,126,318</u>

15 EARNING PER SHARE

Earnings per share attributable to income from main operation and net 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 2015 are 5,000,000 shares (2014: 5,780,822 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

17 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is not subject to special commission rate risk.

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, 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.

	2015 SR	2014 SR
Assets under management	<u>696,075,481</u>	<u>857,289,409</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 2015

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 special commission 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> SR	<i>Asset management services</i> SR	<i>Investment banking</i> SR	<i>Total</i> SR
31 December 2015				
<i>Income</i>	2,868,458	12,926,398	-	15,794,856
<i>Expenses:</i>				
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
<i>Total expenses</i>	1,355,304	11,412,608	654,229	13,422,141
<i>Income (loss) from main operations</i>	1,513,154	1,513,790	(654,229)	2,372,715
<i>Total assets</i>	60,728,248	80,855	25,000	60,834,103
<i>Total liabilities</i>	8,387,379	231,377	-	8,618,756
	<i>Corporate</i> SR	<i>Asset management services</i> SR	<i>Investment Banking</i> SR	<i>Total</i> SR
31 December 2014				
<i>Income</i>	4,694,840	16,219,374	635,607	21,549,821
<i>Expenses:</i>				
Employees' salaries and related benefits	-	6,759,137	227,667	6,986,804
Rent and premises	1,307,826	427,292	138,632	1,873,750
Depreciation	-	1,450,963	76,576	1,527,539
General and administration	-	1,673,777	452,541	2,126,318
<i>Total expenses</i>	1,307,826	10,311,169	895,416	12,514,411
<i>Income (loss) from main operations</i>	3,387,014	5,908,205	(259,809)	9,035,410
<i>Total assets</i>	63,649,771	78,726	31,248	63,759,745
<i>Total liabilities</i>	7,748,353	123,881	-	7,872,234

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2015

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:

	2015 SR	2014 SR
<i>Capital Base:</i>		
Tier 1 Capital	52,215,347	54,971,744
Tier 2 Capital	-	915,767
Total Capital Base	<u>52,215,347</u>	<u>55,887,511</u>
<i>Minimum Capital Requirement:</i>		
Market Risk	26	26
Credit Risk	26,905,565	4,709,559
Operational Risk	3,683,515	4,149,261
Total Minimum Capital Required (see note (d) below)	<u>30,589,106</u>	<u>8,858,846</u>
<i>Capital Adequacy Ratio:</i>		
Total Capital Ratio (times)	1.71	6.31
Tier 1 Capital Ratio (times)	1.71	6.21
Surplus in the capital (see note (d) below)	21,626,241	47,028,665

- 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 23 Jumad Awal 1437H (corresponding to 3 March 2016).