

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

FINANCIAL STATEMENTS

31 DECEMBER 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GLOBAL INVESTMENT HOUSE SAUDIA
(A Closed Saudi Joint Stock Company)**

Opinion

We have audited the financial statements of Global Investment House Saudia (the "Company"), which comprise the balance sheet as at 31 December 2017, and the statement of income, statement of cash flows and statement of 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 accounting standards generally accepted in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GLOBAL INVESTMENT HOUSE SAUDIA
(A Closed Saudi Joint Stock Company) (continued)**

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 misstatement, whether due to fraud or error, and to issue an 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 with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GLOBAL INVESTMENT HOUSE SAUDIA
(A Closed Saudi Joint Stock Company) (continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

for Ernst & Young



Yousef A. AlMubarak
Certified Public Accountant
License No. 427

Riyadh: 10 Rajab 1439H
(27 March 2018)



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

BALANCE SHEET

As at 31 December 2017

	<i>Notes</i>	2017 SR	2016 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash	3	10,464,671	33,622,760
Accrued income and prepayments, net	4	3,061,761	3,447,977
TOTAL CURRENT ASSETS		13,526,432	37,070,737
NON-CURRENT ASSETS			
Available for sale investments	5	46,085,612	20,404,225
Furniture and equipment	6	80,069	52,374
TOTAL NON-CURRENT ASSETS		46,165,681	20,456,599
TOTAL ASSETS		59,692,113	57,527,336
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accrued expenses and other payables	7	996,826	1,178,249
Amounts due to related parties	8	28,043	104,357
Zakat payable	9	5,920,663	5,254,014
TOTAL CURRENT LIABILITIES		6,945,532	6,536,620
NON-CURRENT LIABILITY			
Employees' terminal benefits	10	826,815	693,228
TOTAL LIABILITIES		7,772,347	7,229,848
SHAREHOLDERS' EQUITY			
Share capital	11	50,000,000	50,000,000
Statutory reserve	12	645,736	601,357
Retained earnings		4,125,209	3,725,798
Investment revaluation losses	5	(2,851,179)	(4,029,667)
TOTAL SHAREHOLDERS' EQUITY		51,919,766	50,297,488
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59,692,113	57,527,336

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 2017

	Notes	2017 SR	2016 SR
INCOME			
Asset management fees	13	9,423,889	8,642,521
Arranging income	8.1	625,026	381,768
Interest income on time deposit		199,896	522,500
Realised gain on available for sale investments	5	122,207	153,331
Dividend income		33,600	30,300
Subscription fee income		-	1,000
Total income		10,404,618	9,731,420
EXPENSES			
Employees' salaries and related benefits		(5,705,224)	(7,297,101)
Rent		(629,048)	(629,048)
Depreciation	6	(30,087)	(25,660)
General and administration	14	(1,617,001)	(2,164,380)
Provision for accrued management fee	4.1	(603,333)	-
Total operating expenses		(8,584,693)	(10,116,189)
INCOME (LOSS) BEFORE ZAKAT		1,819,925	(384,769)
Zakat	9	(1,376,135)	(1,320,614)
NET INCOME (LOSS) FOR THE YEAR		443,790	(1,705,383)
EARNINGS (LOSS) PER SHARE			
From main operations	15	0.36	(0.08)
From net income (loss) for the year	15	0.09	(0.34)

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 2017

	Notes	2017 SR	2016 SR
OPERATING ACTIVITIES			
Income (loss) before zakat		1,819,925	(384,769)
Adjustments for:			
Realised gain from sale of available for sale investments	5	(122,207)	(153,331)
Depreciation	6	30,087	25,660
Provision for employees' terminal benefits		243,267	227,252
Provision for accrued management fee	4.1	603,333	-
		<u>2,574,405</u>	<u>(285,188)</u>
<i>Operating cash flows before working capital changes</i>			
Changes in operating assets and liabilities:			
Accrued income and prepayments		(217,117)	1,500,203
Accrued expenses and other payables		(181,423)	(2,572,007)
Amounts due to related parties		(76,314)	(38,183)
		<u>2,099,551</u>	<u>(1,395,175)</u>
Cash from (used in) operations			
Employees' terminal benefits paid		(109,680)	(253,516)
Zakat paid	9	(709,486)	(73,068)
		<u>1,280,385</u>	<u>(1,721,759)</u>
Net cash from (used in) operating activities			
INVESTING ACTIVITIES			
Proceeds from sale of available for sale investments		619,308	25,487,927
Time deposit matured (placed)		25,000,000	(25,000,000)
Purchase of available for sale investments	5	(25,000,000)	(269,797)
Purchase of furniture and equipment	6	(57,782)	(11,177)
		<u>561,526</u>	<u>206,953</u>
Net cash from investing activities			
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>1,841,911</u>	<u>(1,514,806)</u>
Cash and cash equivalents at beginning of the year		8,622,760	10,137,566
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	3	<u><u>10,464,671</u></u>	<u><u>8,622,760</u></u>
Supplemental non-cash information			
Change in fair value of available for sale investments, net	5	<u><u>(1,300,695)</u></u>	<u><u>(59,145)</u></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 CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Investment revaluation loss SR</i>	<i>Total SR</i>
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)
Balance at 31 December 2016	50,000,000	601,357	3,725,798	(4,029,667)	50,297,488
Net income for the year	-	-	443,790	-	443,790
Transfer to statutory reserve	-	44,379	(44,379)	-	-
Change in fair value (note 5)	-	-	-	1,300,695	1,300,695
Realised gain during the year (note 5)	-	-	-	(122,207)	(122,207)
Balance at 31 December 2017	50,000,000	645,736	4,125,209	(2,851,179)	51,919,766

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 2017

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.

According to the transition plan to International Accounting Standards approved by the board of Saudi Organization for Certified Public Accountants (SOCPA), effective 1 January 2018, the Company's financial statements will be prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by SOCPA. Upon IFRS adoption, the Company will be required to comply with the requirements of IFRS 1 - First-time Adoption of International Financial Reporting Standards which require the Company to analyze the impacts and incorporate certain adjustments on the comparative figures and its opening balances.

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 pre-set target.

Interest income

Interest income is recognised on an effective yield basis.

Global Investment House Saudia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2017

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Arranging income

Income from arranging services is recognised when the services are performed.

Advisory income

Income from advisory services is 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 BANK BALANCE AND CASH

	2017 SR	2016 SR
Bank balances	10,464,671	8,612,760
Cash in hand	-	10,000
Cash and cash equivalents	10,464,671	8,622,760
Time deposit	-	25,000,000
	<u>10,464,671</u>	<u>33,622,760</u>

4 ACCRUED INCOME AND PREPAYMENTS, NET

	2017 SR	2016 SR
Accrued management fee, net (note 4.1)	2,628,617	3,045,120
Prepaid expenses	276,395	224,237
Rent receivable	110,054	110,054
Security deposit	27,683	59,683
Other receivable	19,012	8,883
	<u>3,061,761</u>	<u>3,447,977</u>

4.1 Accrued management fee is presented net of related provision amounting to SR 603,333 (2016: nil).

Global Investment House Saudia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2017

5 AVAILABLE FOR SALE INVESTMENTS

	2017 SR	2016 SR
Alinma Liquidity Fund	25,264,692	-
Global Saudi Equity Fund	20,270,240	19,220,336
Al Noor Fund	-	632,369
Shares traded on Saudi Stock Exchange (Tadawul)	550,680	551,520
	<u>46,085,612</u>	<u>20,404,225</u>

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

	2017 SR	2016 SR
<u>Cost:</u>		
At beginning of the year	24,433,892	49,498,691
Additions during the year	25,000,000	269,797
Disposals during the year	(497,101)	(25,334,596)
Cost at end of the year	<u>48,936,791</u>	<u>24,433,892</u>
<u>Valuation adjustment:</u>		
At beginning of the year	(4,029,667)	(3,817,191)
Change in fair value	1,300,695	(59,145)
Realised gain during the year	(122,207)	(153,331)
At end of the year	<u>(2,851,179)</u>	<u>(4,029,667)</u>
Net AFS investment at end of the year	<u>46,085,612</u>	<u>20,404,225</u>

Global Investment House Saudia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2017

6 FURNITURE 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 SR</i>	<i>Computer hardware and software SR</i>	<i>Office equipment & lease hold improvement SR</i>	<i>Total 2017 SR</i>	<i>Total 2016 SR</i>
<i>Cost:</i>					
At beginning of the year	6,568,919	4,423,638	8,434,157	19,426,714	19,415,537
Additions	-	57,782	-	57,782	11,177
At end of the year	<u>6,568,919</u>	<u>4,481,420</u>	<u>8,434,157</u>	<u>19,484,496</u>	<u>19,426,714</u>
<i>Depreciation:</i>					
At beginning of the year	6,553,921	4,397,014	8,423,405	19,374,340	19,348,680
Charge for the year	11,992	15,300	2,795	30,087	25,660
At end of the year	<u>6,565,913</u>	<u>4,412,314</u>	<u>8,426,200</u>	<u>19,404,427</u>	<u>19,374,340</u>
<i>Net book amounts:</i>					
At 31 December 2017	<u>3,006</u>	<u>69,106</u>	<u>7,957</u>	<u>80,069</u>	
At 31 December 2016	<u>14,998</u>	<u>26,624</u>	<u>10,752</u>		<u>52,374</u>

7 ACCRUED EXPENSES AND OTHER PAYABLES

	<i>2017 SR</i>	<i>2016 SR</i>
Accrued expenses	963,833	1,121,116
Accounts payable	32,993	57,133
	<u>996,826</u>	<u>1,178,249</u>

Global Investment House Saudia
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2017

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 yearend:

Related party	Nature of transaction	Amount of transaction, debit (credit)		Balance, debit (credit)	
		2017 SR	2016 SR	2017 SR	2016 SR
Shareholders					
Global Investment House Kuwait (GIHK)	(Expenses paid by GIHK) /Settlement to GIHK	88,814	(36,923)	-	(88,814)
Affiliates					
Funds under management	Amount paid to (received from) assets under management	(12,500)	75,106	(28,043)	(15,543)
	Tadawul fees	-	(32,500)	-	-
	Asset management fees	(9,423,899)	(8,642,521)	2,496,617	2,522,620
Board of directors	Board fees to independent board members	377,000	374,000	-	-

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

8.1 The Company arranged private placements on behalf of the Parent Company in which it earned arranging fee of SR 625,026 (31 December 2016: SR 381,768). The private placements are managed by the Parent Company, which earn management fee on those deals. The Company merely acts as an agent for the Parent Company in providing arranging services.

9 ZAKAT

The zakat charge consists of the current year provision amounting to SR 1,376,135 (2016: SR 1,320,614).

The provision is based on the following zakat base:

	2017 SR	2016 SR
Equity	54,327,155	56,032,538
Provisions	5,128,076	4,334,864
Book value of long term assets	(5,630,594)	(6,435,560)
	<u>53,824,637</u>	<u>53,931,842</u>
Adjusted profit for the year	1,220,751	(1,107,299)
	<u>55,045,388</u>	<u>52,824,543</u>
Zakat base	<u>55,045,388</u>	<u>52,824,543</u>
Zakat due thereon at 2.5%	<u>1,376,135</u>	<u>1,320,614</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2017

9 ZAKAT (continued)

Movement in provision during the year

	2017 SR	2016 SR
At beginning of the year	5,254,014	4,006,468
Provision on zakat base	1,376,135	1,320,614
Payments during the year	(709,486)	(73,068)
At end of the year	<u>5,920,663</u>	<u>5,254,014</u>

Status of assessments

Zakat returns have been filed with the General Authority of Zakat and Tax (the "GAZT") for all the years from 2008 to 2016.

During 2014, the Company received zakat assessment in respect of the years ended 31 December 2008 through 2011. 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.

The Company received certain quires from GAZT in connection with the zakat returns for the years from 2012 to 2014. The Company has submitted its response and is waiting for the final assessment from GAZT for those years. Further, assessments have not been raised by the GAZT for the years ended 31 December 2015 and 2016.

10 EMPLOYEES' TERMINAL BENEFITS

	2017 SR	2016 SR
Opening Balance	693,228	719,492
Charge for the year	243,267	227,252
Settled during the year	(109,680)	(253,516)
Ending balance	<u>826,815</u>	<u>693,228</u>

Global Investment House Saudia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2017

11 SHARE CAPITAL

Capital is divided into 5,000,000 shares (31 December 2016: 5,000,000 shares) of SR 10 each. The shareholding as at 31 December is as follows:

<i>Shareholder</i>	<i>%</i>	<i>SR</i>
Global Investment House Kuwait	99.96	49,981,560
Other individual shareholders	0.04	18,440
	100.00	50,000,000

12 STATUTORY RESERVE

As required by Saudi Arabian Regulations for Companies, the Company has transferred 10% of the income for the year, to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution to shareholders.

13 ASSET MANAGEMENT FEES

	<i>2017 SR</i>	<i>2016 SR</i>
Management fees	8,791,175	8,073,006
Administrative fees	632,714	569,515
	9,423,889	8,642,521

14 GENERAL AND ADMINISTRATION EXPENSES

	<i>2017 SR</i>	<i>2016 SR</i>
Professional fees	660,325	952,863
Board remuneration (note 8)	377,000	374,000
Subscriptions	130,286	294,806
Per diem, travel and air tickets	126,225	149,256
Utilities	120,675	131,986
Internet charges	48,944	56,778
Communication	23,405	30,029
IT support and testing	21,334	19,504
Other	108,807	155,158
	1,617,001	2,164,380

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 2017 are 5,000,000 shares (2016: 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.

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 not subject to Interest 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.

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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.

	2017 SR	2016 SR
Assets under management	<u>564,071,834</u>	<u>609,308,249</u>

Assets under management above include the net assets value of Global Saudi Equity Fund amounting to SR 502,034,801 (2016: the net assets values of Global Saudi Equity Fund and Al Noor Fund aggregating to SR 478,107,521). The Company's seed money investment in Global Saudi Equity Fund is included in the above net asset values.

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.

	Corporate SR	Asset management services SR	Investment banking SR	Total SR
31 December 2017				
Income	980,729	9,423,889	-	10,404,618
Expenses:				
Employees' salaries and related benefits	-	5,510,406	194,818	5,705,224
Rent and premises	-	560,414	68,634	629,048
Depreciation	-	28,633	1,454	30,087
General and administration	-	1,463,234	153,767	1,617,001
Provision for accrued management fee	-	603,333	-	603,333
Total expenses	-	8,166,020	418,673	8,584,693
Income (loss) from main operations	980,729	1,257,869	(418,673)	1,819,925
Total assets	59,588,497	78,616	25000	59,692,113
Total liabilities	7,621,815	150,532	-	7,772,347

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31 December 2017

19 SEGMENT INFORMATION (continued)

	Corporate SR	Asset management services SR	Investment banking SR	Total SR
31 December 2016				
Income	1,087,899	8,643,521	-	9,731,420
Expenses:				
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
Total expenses	-	9,667,829	448,360	10,116,189
Income (loss) from main operations	1,087,899	(1,024,308)	(448,360)	(384,769)
Total assets	57,417,596	84,740	25,000	57,527,336
Total liabilities	6,941,960	287,888	-	7,229,848

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:

	2017 SR	2016 SR
Capital Base:		
Tier 1 Capital	51,919,766	50,297,488
Tier 2 Capital	-	-
Total Capital Base	51,919,766	50,297,488
Minimum Capital Requirement:		
Market Risk	26	26
Credit Risk	26,670,726	11,407,898
Operational Risk	2,490,207	2,859,201
Total Minimum Capital Required (see note (d) below)	29,160,959	14,267,125
Capital Adequacy Ratio:		
Total Capital Ratio (times)	1.78	3.53
Tier 1 Capital Ratio (times)	1.78	3.53
Surplus in the capital (see note (d) below)	22,758,807	36,030,363

- 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.

20 CAPITAL REGULATORY REQUIREMENTS AND CAPITAL ADEQUACY RATIO (continued)

- 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.com.sa>). 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 8 Rajab 1439H (corresponding to 25 March 2018).