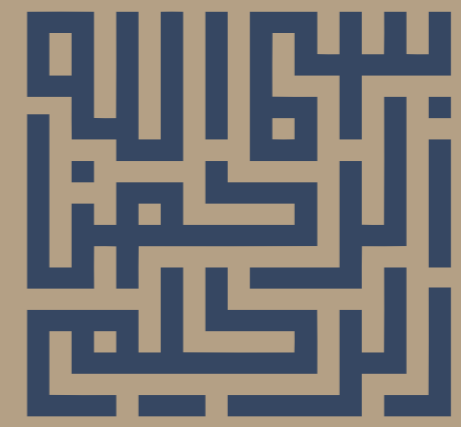


2017

Annual Report



جدوى للاستثمار
Jadwa Investment





The Custodian of The Two Holy Mosques
King Salman Bin Abdul Aziz Al-Saud



His Royal Highness
Prince Mohammad Bin Salman
Crown Prince, First Deputy Prime Minister

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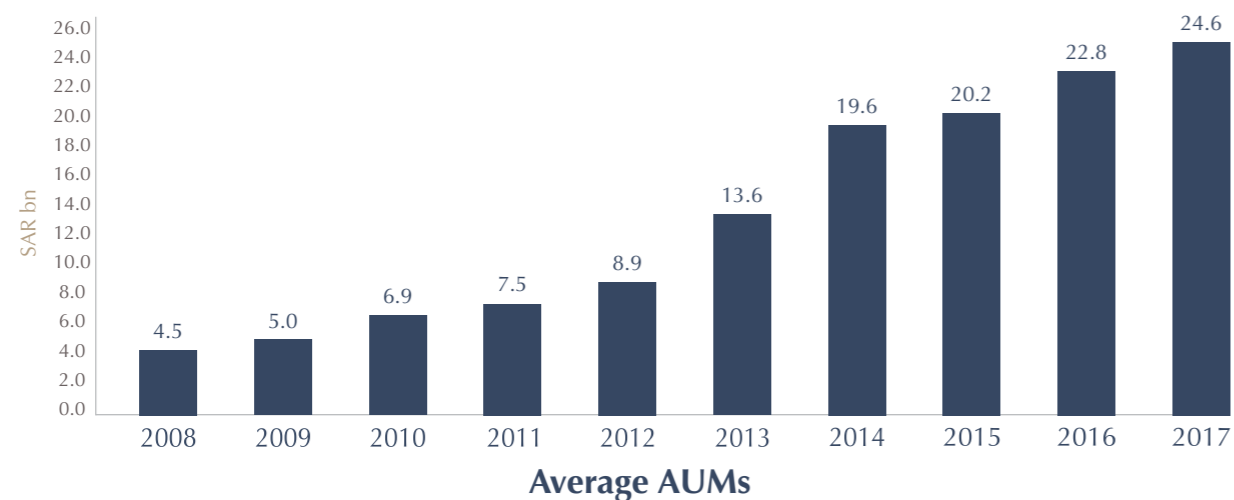
Jadwa Investment's Subsidiaries

Financing Information

Jadwa Investment
A Saudi Closed Joint Stock Company
Licensed by the Capital Market Authority
License no. 06034-37
Capital SAR 852,735,000 Fully Paid
Phone +966 11 279-1111 Fax +966 11 279-1571
P.O. Box 60677, Riyadh 11555, Saudi Arabia

www.jadwa.com

Jadwa Investment by the Numbers



Financial Performance



Assets Under Management



Business Principles

We deliver

A promise by one of us is a promise by all of us. We only make promises we are qualified and committed to fulfill. In our competitive world, this means we all work very hard.

We tell the truth

We communicate with our clients so they are never surprised by our actions or their outcomes. We don't take credit for luck, nor do we apologize for events out of our control. We adopt the same principles of transparency with our own people.

We succeed when our clients do

We align our interests with our clients'. Our fiduciary responsibility to each client is a sacred trust that can never be compromised.

We are discreet

Our clients entrust us with sensitive information. We practice the highest standards of confidentiality.

We serve our clients fairly

Similar clients are treated equally. Our professional arrangements should give our clients peace of mind.

We are prudent

We are stewards of our Firm's reputation and our shareholders' capital. We avoid actions that we wouldn't want the public to know.

We are professional

We hold ourselves to the highest standards of professional ethics and integrity. We speak our mind, and do the right thing for our clients, no matter what.

We are competent

Our clients deserve the best expertise. We invest in our people and take great care to retain them, because our clients rely on us. We have a learning culture, and we capture and build on our knowledge.

We enable

We hire the best, and foster a culture where they can perform at their peak.

We enjoy what we do

We work every day to make a difference for our clients, our Firm, our colleagues, and ourselves. We celebrate each other's successes. We are proud to be Jadwa.

We are partners

Personal bonds are an important part of our Firm's culture. We believe collaboration creates value. We care for each other, and we are inclusive.

We give back

When we succeed, the communities in which we work and live should benefit.

Board of Directors



Abdulaziz Al Subeai
Vice Chairman



Adib Al Zamil
Chairman of the Board of Directors



Dato' Noorazman Abdulaziz
Member



Iqbal Khan
Member



Howard Marks
Member



Christopher Masterson
Member



Michael Powell
Member



Abdulrahman Al Ruwaita
Member



Tariq Al Sudairy
Managing Director & CEO

Chairman's Statement

Dear valued shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Jadwa Investment for fiscal year 2017, which marks the firm's 10th anniversary of operation.

Throughout the last 12 months, our business landscape has evolved rapidly within the context of Saudi Arabia's comprehensive economic reform program. Whilst such a transformational market dynamic introduces new challenges across sectors, it also offers significant opportunities for those organizations that have the capability and nimbleness to identify and capture emerging trends. Within this context, we have continued to invest in the Saudi economy with confidence and across asset classes. This is indeed a reflection of our strong conviction in the Kingdom's long-term potential and positive outlook.

In 2017, Jadwa generated total revenues of SAR 258.04 million and net income of SAR 83.25 million. While the year saw a decline in our non-recurring revenues due to fewer completed investment and divestment transactions, our recurring revenue stream maintained its growth trajectory during 2017. The continued positive momentum of our recurring management fee revenues came as a result of the consistent growth in our assets under management across asset classes, which grew from an average of SAR 22.78 in 2016 to more than SAR 24.61 in 2017.

The year also saw Jadwa continue to offer compelling investment opportunities and valued advice to its clients. Across asset classes, the firm originated over SAR 2.7 billion in new investment opportunities. In private equity, fiscal year 2017 witnessed the launch of our third healthcare fund, bringing our total invested capital in this asset class to SAR 5.9 billion. In real estate, we originated and structured two real estate investment traded (REIT) funds with a combined value of more than SAR 2.2 billion, making Jadwa the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia. And on the advisory front, we continued to advise our government, corporate, and institutional clients on a number of important privatization and investment mandates through our investment banking and investment management advisory practices. In fact, with Jadwa's growing business scope and expanding client base, the firm has initiated an office presence in Dubai, which marks our first organizational footprint beyond Saudi Arabia.

In the context of this resilient business performance and outlook, the Board of Directors is pleased to propose a cash dividend of SAR 1 per share in 2017, equal to 10% of the nominal share value.

Looking ahead to 2018, and beyond the firm's 10th anniversary, we continue to be confident about Jadwa's prospects and growth momentum. Our business fundamentals remain strong, we continue to invest in emerging opportunities in the Saudi economy, and we continue to innovate and expand our offering to clients across asset classes and geographies. Jadwa's strategic direction remains underpinned by our commitment to put clients' interests above all other considerations. Clients have been at the heart of Jadwa Investment since its formation, and it is by serving our clients well that we are able to generate strong returns for our shareholders, create rewarding careers for our people, and invest in the development of our local communities. This has been and will continue to be our guiding principle.

In conclusion, I would like to express my gratitude to our clients for their continued trust, to our shareholders for their steadfast support, and to my fellow directors for their invaluable contributions. I would also like to express my sincere appreciation for the hard work and commitment of our professional team who, despite challenging market conditions, delivered another resilient performance for the firm. As I look to the future, I am confident that our people, our client proposition, and our culture will enable us to continue our journey of growth and innovation.

Adib Abdullah Al Zamil
Chairman of the Board of Directors

10 years of ... investing with confidence



Managing Director's Statement

Fiscal year 2017 was another year of substantial transformation for the Saudi economy, driven by the government's comprehensive economic reform program. Whilst such a transformational market context introduces new challenges for the private sector, it also offers exceptional opportunities for the most agile and dynamic organizations. Indeed, the government's far-reaching structural reforms have only served to solidify our conviction in Saudi Arabia's long-term economic growth prospects. We have therefore continued to expand the scale and scope of our investments into the Saudi economy with confidence, guided by our informed convictions and proprietary insights into the local economic scene.

With unwavering commitment to our clients' best interest, we delivered a number of new "firsts" through our innovative offering and disciplined investment approach. The year's highlights included growing our average assets under management by 8%, originating over SAR 2.7 billion in alternative investments, realizing record growth in our client base, and initiating our first international presence in Dubai. Collectively, 2017's achievements and milestones constitute a fitting celebration of Jadwa Investment's 10th anniversary.

Financial Performance

Jadwa posted another set of strong financial results during 2017 in the midst of economic transformation and market volatility, generating total revenues of SAR 258.04 million and net income of SAR 83.25 million. Indeed, 2017 saw a decline in our non-recurring revenues due to fewer completed transactions, as we continue to optimize our deployment and divestment activities in the context of sectoral and regulatory developments. Nonetheless, our recurring revenue base maintained its positive trajectory during 2017, driven by the consistent growth momentum of our assets under management (AUM). In fact, our average AUM level across asset classes grew by 8% from SAR 22.78 billion in 2016 to more than SAR 24.61 billion in 2017. These results are further supported by a healthy and conservative balance sheet, and reflect the sustainability and resilience of Jadwa's business model in the face of economic change.

Business Performance

Since Jadwa's inception in 2007, our expanding scope of activities has resulted in a more diverse, dynamic, and responsive business model across economic cycles. Thoughtful long-term planning, careful review, and continual enhancements have proven to be the pre-requisites of sustained business achievements. Ten years later, we have continued to develop innovative product offerings, expand our investments across asset classes, and nurture a rapidly growing base of client relationships. While maintaining a disciplined investment philosophy that always chooses quality over quantity, we originated more than SAR 2.7 billion in the field of alternative investments during 2017, advised our clients on their corporate transactions and asset allocations, and expanded Jadwa's footprint and organizational reach.

In private equity, our Jadwa Healthcare Opportunities Fund 3 completed the acquisition of a majority stake in Al-Muhaidib Dental Group, the largest integrated network of dental clinics in Saudi Arabia. The fund marks our third private equity investment in the healthcare sector, and brings our total invested capital in private equity to SAR 5.9 billion.

In real estate, 2017 was a record-setting year as we originated two income-generating REIT funds with a combined value of more than SAR 2.2 billion. This, in fact, makes Jadwa the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia.

Our first REIT offering, Jadwa REIT Al Haramain Fund, specializes in investing in the two holy cities of Makkah and Madinah, with an initial fund size of SAR 660 million. The fund received overwhelming response from investors, with total subscriptions exceeding 12.5 times the public offer. The fund was subsequently listed on the Saudi exchange on April 30, constituting Jadwa's first REIT listing, the first REIT fund to specialize in the two holy cities of Makkah and Madinah, the third listing in the newly launched REIT market, and the largest REIT offering at the time. Since listing, the fund has secured a SAR 500 million bank facility to finance the REIT's growth plans, and has completed two accretive acquisitions in Makkah for a total value of SAR 148 million.

Our second REIT fund, Jadwa REIT Saudi Fund, aims to invest in a diversified manner across all other major cities in Saudi Arabia, with an initial fund size of SAR 1.58 billion. The initial portfolio consists of a pool of five properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. As of its public offer, Jadwa REIT Saudi Fund offers investors the highest initial net yield amongst all listed REITs at 7.3%, and is the first REIT to provide quarterly distributions in the Saudi market. The fund was approved by the Capital Market Authority (CMA) on December 28, and is slated for listing during early 2018.

On the advisory front, Jadwa continued to advise its clients on a number of important corporate finance and investment mandates through its investment banking and investment management advisory practices. This included providing privatization sell-side advisory in the healthcare sector as part of the government's expansive privatization program, and advising a number of institutional clients on their global asset allocation strategy and execution across the full spectrum of asset classes and geographies.

The past 12 months also witnessed the continued growth of Jadwa's client base. The firm developed a record number of new client relationships during 2017, which accounted for over 50% of our capital inflows. In fact, we have initiated an office presence in Dubai to meet our growing client coverage, which marks our organization's first international expansion. We are, of course, extremely proud of our clients' continued trust in Jadwa's capability, and take this as a great responsibility to always deliver on our promises to them.

Our strong and consistent track-record of investment performance culminated once again in achieving a Moody's Investment Manager Quality Rating of MQ2, the highest rating for any asset management firm in the region. We were also proud to receive a series of prestigious international accolades during the year, including The MENA Fund Manager's "Best Saudi Equity Fund 2016 Award", International Finance Magazine's "Best Boutique Investment Management House of the Year in Saudi Arabia", and Thomson Reuters Lipper MENA Markets Domestic Fund Awards for the Jadwa GCC Equity Fund and Jadwa Arab Markets Equity Fund's three-year and five-year performances, respectively.

Outlook for 2018

We are looking forward to 2018 with confidence and optimism, as we expect many of our ongoing projects and initiatives will come to fruition over the next 12 months. In the year ahead, we will continue to invest in emerging market opportunities in the Saudi economy, further expand our offering across asset classes and geographies, and aim to deliver investment realizations to our clients on their existing investments with us.

As Jadwa's second decade gets underway, we will remain true to our core principles of delivering differentiated performance and putting our clients' interests at the center of everything we do. We will remain the "Partner of Choice" for our diverse and growing client base. We will continue to invest in a highly selective and prudent manner, with a disciplined focus on our areas of specialization and expertise. And we will continue to invest in our people and capabilities, with the purpose of maintaining Jadwa's leading position across all of our business practices. In doing so, 2018 will build on Jadwa's strong foundation, distinguished reputation, and consistent track-record over the past ten years.

Appreciation

As we reflect on 2017, we recognize that our achievements and milestones could not have been realized without our clients' continued trust and partnership. We indeed owe them our sincere gratitude and reaffirmed commitment to always put their interests above all other considerations.

We are also truly grateful for the relentless encouragement of our shareholders, the guidance and insights of our Board of Directors, and the counsel and advice of the Capital Market Authority. For their invaluable support, we owe them our ongoing gratitude.

Finally, I extend my deepest appreciation to Jadwa's professional team for their resilience, passion, and unwavering determination to building and growing a leading organization. I am truly inspired by their genuine commitment, dynamic ingenuity, and proactive sense of ownership over Jadwa's destiny and reputation.

As we close one decade and turn to the next, we have the organizational depth to face the new challenges ahead, we have the agility and creativity to capture emerging opportunities, and we will not settle for anything short of realizing Jadwa's full potential. It is for these reasons that we look forward to 2018 with excitement and confidence.



Tariq Al Sudairy
Managing Director & CEO

10 years of ... investment outperformance



Business Overview

Jadwa Investment

Jadwa Investment is the premier investment management and advisory firm in Saudi Arabia and the wider region. Headquartered in Riyadh, the firm has over SAR 24 billion in assets under management across public equity, private equity, real estate, and fixed income. Our clients include government entities, local and international institutional investors, leading domestic family offices, and high-net-worth individuals.

Since inception in 2007, we have built a strong track record in investment management and advisory services. Our specialized products and services include award-winning mutual funds and discretionary portfolio management mandates; private equity and real estate investments; M&A, capital market, and investment management advisory services; and research.

Today, we are one of the Kingdom's largest public equity asset managers and the region's top mutual fund performer. We have developed a reputation as the partner best able to deliver differentiated performance to our clients, and best suited to take family businesses to the next phase of institutionalization and growth. We are also recognized for the quality and insights of our widely read research reports.

Assets under Management

In the context of a rapidly evolving economic landscape and continued market volatility, Jadwa Investment has continued to expand the depth and breadth of its client relationships. In total, we grew our average AUMs by 8% from an average of SAR 22.78 billion in 2016 to SAR 24.61 billion in 2017. Across our investment management practices, we received over SAR 2 billion in capital inflows into our public equity, private equity, real estate, and fixed income strategies, with over 50% coming from new client relationships. We are of course proud of our AUM growth, as we believe it is a reflection of clients' trust in Jadwa's capability to deliver distinctive investment performance. We also take this as a reflection of the great responsibility we bear to deliver on our promises and consistently act in the best interest of our clients.

Public Markets

Through our asset management platform, we continue to manage our clients' allocations to public equity and fixed income strategies across local and regional markets. Our asset management practice also completed the verification process for its compliance with the Global Investment Performance Standards (GIPS). GIPS are a set of voluntary standards sponsored and administered by the CFA Institute that aim to ensure full disclosure and fair representation of investment performance. In doing so, Jadwa today is the first asset manager in Saudi Arabia to achieve full GIPS compliance.

Importantly, and in line with global best practice, we have also maintained our cap on Saudi public equity strategies to any new capital inflows for the purpose of maintaining our agility to deliver superior performance. Across markets, an asset manager's ability to outperform requires the flexibility to buy and sell positions in the market in a timely manner, which in turn can be impacted by the size of the asset manager relative to the overall size and liquidity of the market. With this in mind and given our growth in AUMs, we decided in late 2016 to preemptively refrain from accepting additional capital inflows in order to preserve our ability to deliver differentiated performance, and to maintain our unwavering commitment to putting our clients' interest first. As a result, Jadwa is now the first asset manager in Saudi Arabia to voluntarily close its Saudi public equity strategies to new capital inflows. As an investment manager, our aspiration is not to become the largest. It is to deliver the best for our clients.

In recognition of the firm's sustained track record of delivering real and distinctive value to clients, Moody's once again reaffirmed Jadwa's Investment Manager Quality assessment of MQ2 during 2017. This internationally recognized accreditation is the highest rating awarded to any asset management firm in the region, and is an endorsement of our investment process, the capabilities of our professional team, and the consistency of our strong investment performance.

Jadwa's asset management practice also received a number of prestigious international awards during 2017. These included the MENA Fund Manager's "Best Saudi

Equity Fund Award", International Finance Magazine's "Best Boutique Investment Management House of the Year in Saudi Arabia", and Thomson Reuters Lipper MENA Markets Domestic Fund Awards for the Jadwa GCC Equity Fund and Jadwa Arab Markets Equity Fund's three-year and five-year performances, respectively.

Private Equity

Fiscal year 2017 was another year of progress and growth for our private equity practice. Our deployment activity in this space continued to be underpinned by prudent screening and rigorous selection of target sectors and investments from the wide universe of identified investment opportunities. This has allowed us to remain true to our well-established and proven track-record of delivering investment performance.

Over the past 12 months, Jadwa continued to maintain its leadership position in the Saudi private equity industry with the launch of Jadwa Healthcare Opportunities Fund 3. Following its launch, the fund completed the acquisition of a majority stake in Muhaidib Dental Group (MDG), the largest integrated network of dental clinics in Saudi Arabia with 30 clinics and 250 chairs across four cities. The fund marks our third private equity investment in the healthcare sector and eleventh since inception, and brings our total invested capital in private equity to SAR 5.9 billion. The fund also reflects our continued confidence and conviction in Saudi Arabia's investment prospects and economic outlook.

Looking forward, our private equity practice continues to focus on new and emerging opportunities from Saudi Arabia's economic transformation program, including the government's expansive privatization effort across sectors. Beyond new deployments, our private equity team is also working to advance and prepare our existing portfolio companies for realization as part of our post-acquisition efforts. In fact, we have initiated a number of divestment efforts that we expect to materialize over the next 12-24 months.

Real Estate

Maintaining our disciplined approach to investment selection and offering compelling opportunities were at the heart of our real estate proposition during 2017. In fact, our real estate practice had a record-setting year as we originated two income-generating REIT funds with a combined value of more than SAR 2.2 billion, making Jadwa the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia to-date.

Our first REIT fund, Jadwa REIT Al Haramain Fund, specializes in investing in the two holy cities of Makkah and Madinah, with an initial fund size of SAR 660 million. The initial fund portfolio consisted of two hospitality assets in Makkah with a combined capacity of 984 rooms and fully leased on a long-term basis to a reputable Hajj and Umrah operator. The REIT was offered to investors in April 2017 and received overwhelming response. Over the course of a five-day public offering period, we received subscriptions from over 5,800 individual and institutional investors for an aggregate subscription amount of SAR 4.53 billion, over 12.5 times the public offer amount of SAR 360 million. The fund was subsequently listed on the Saudi exchange on April 30, constituting Jadwa's first REIT listing, the first REIT fund to specialize in the two holy cities of Makkah and Madinah, the third REIT in the newly launched REIT market, and the largest REIT offering at the time. Since listing on the stock exchange, the fund has secured a SAR 500 million bank facility to finance the REIT's growth plans, and has recently completed two accretive acquisitions in Makkah for a total value of SAR 148 million.

Jadwa's second REIT offering, Jadwa REIT Saudi Fund, aims to invest in a diversified manner across all other major cities in Saudi Arabia, with an initial fund size of SAR 1.58 billion. The initial portfolio consists of a pool of five properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. The fund offers an initial, unlevered net yield of 7.3% – the highest amongst all listed REITs – in the form of quarterly distributions – the most frequent distribution amongst all listed REITs. The yield is based on secured

long-term lease agreements of 5-20 years with highly reputable counterparties, and supported by various rent guarantees and enforcement mechanisms. The fund was approved by the Capital Market Authority (CMA) on December 28, and is slated for public offering and listing during early 2018.

Investment Banking

Through its investment banking advisory practice, Jadwa continued to advise and provide arrangement services to its clients on a number of important corporate finance mandates. This included providing privatization sell-side advisory in the healthcare sector as part of the government's expansive privatization program. The mandate significantly positions the firm as the sole advisor for one of the first and important privatization transactions under Saudi Arabia's comprehensive economic reform agenda.

Investment Management Advisory

Our investment management advisory (IMA) practice offers our clients customized and comprehensive support in developing and executing their long-term investment policy and asset allocation strategy across the full range of asset classes and geographies. During 2017, our IMA team continued to advise a number of institutional clients on multi-billion Saudi Riyals of assets under advisement, acting as our clients' outsourced investment function across the full cycle of investment strategy development, execution, reporting, and review.

Brokerage and Custody

Throughout 2017, Jadwa's brokerage team continued to provide a reliable, high-quality platform for executing public equity transactions on behalf of its clients and our asset management practice, both within and outside Saudi Arabia. The quality, accuracy, and speed of execution were maintained throughout the year and in the context of steady trading volumes. In addition,

our core trading system was continuously enhanced to provide clients with access to all new market initiatives and improvements in a seamless manner.

Research

As major economic transformation continued to unfold in the Kingdom, Jadwa's continued to reaffirm its position as a thought leader and a trusted source of macroeconomic research and insight. In total, our research team issued 32 reports during 2017, covering key economic and market developments. This included macroeconomic reports, such as our latest on the 2018 fiscal budget, as well as thematic reports, including our comprehensive coverage of the Fiscal Balance Program 2020, Petrochemicals and Vision 2030, and The Saudi Parallel Market (Nomu).

Our research continued to attract widespread market attention and coverage across television and print media. In fact, our Chief Economist was invited to give regular live TV interviews and to speak at 26 high-profile, local and international conferences. These included invitations to present our economic research at the IIF MENA Financial Summit, Super Returns Middle East, Emerging Markets Advisory Council, Annual Financial Stability Forum, and Platts' 5th Annual Middle East Crude Oil Summit. The research team also held 85 meetings with important stakeholders, including clients, prospective clients, government officials, international organizations, and international diplomats to elaborate on its work and raise further awareness amongst important opinion-formers on pertinent economic developments. Beyond our research team's external engagement, our electronic mailing list has further grown to over 4,850 subscribers and our reports have been downloaded via Jadwa's website more than 46,500 times during the year.

Shariah

Throughout 2016, the Shariah team continued to support the various business activities of Jadwa, enhance product development, and ensure the adherence of all

operations to Shariah requirements. Specifically, our Shariah Board issued several resolutions in relation to our various private equity and real estate transactions and agreements. The Shariah team also issued opinions relating to the terms and conditions of Jadwa's family funds, Zakat ruling for private placement investments, Shariah structures for short selling, and joint real estate investments.

The Shariah Department also continued to invest in developing Shariah knowledge and awareness through its research and publishing activities. As part of this effort, the team conducted research on a range of pertinent topics, including Zakat for investment companies and Shariah guidelines for real estate investments.

Legal & Compliance

The Legal & Compliance team continued to provide invaluable support and expertise across the full breadth of Jadwa's business activities. The work involved interacting closely with regulatory bodies, and included reviewing and commenting on a wide range of legal documentation, frameworks, and regulations.

In particular, our team finalized the process of updating Jadwa's constitutional documents in line with the new Companies Law, developed the legal infrastructure for our REIT funds, streamlined our fund documentations in line with the new Investment Fund Regulations, and consolidated the management of our fund terms and conditions. We additionally completed the launch of our updated Whistle Blowing Policy and Gift Policy, and initiated work on fully automating our Know Your Customer (KYC) and client on-boarding processes.

Risk Management

Our risk management team completed a detailed stress-test analysis of Jadwa's business model and continued to monitor 52 leading key risk indicators (KRIs) that cover all departments. The team also updated the firm's Enterprise Risk Assessment (ERA); conducted risk reviews for multiple counterparties, prospective advisory mandates, and private equity and real estate investment

opportunities; monitored risk limits for discretionary portfolio mandates and investment funds; and developed new forms for Sukuk and IPO investment risk analysis.

Investment Operations

Investment Operations (IO) continued to support activities related to client account opening, asset management operations, fund administration and accounting, unit holder records maintenance, brokerage settlement, and compliance. The team also completed over 1,600 new investment account openings for the Jadwa REIT Al Haramain Fund and processed all REIT subscriptions and refunds in a timely manner. In addition, the IO team worked jointly with the Information Technology Department to develop an automated and streamlined process for managing REIT offerings.

Information Technology

Sustained investment and best-practice enhancements in technology continued to be a key enabler of our firm's long-term commitment to being at the forefront of the investment industry in the Kingdom. In fact, our technology team implemented several Tadawul market initiatives during 2017, including access to the newly launched Nomu market and implementation of the new industry classification system. The team also launched the firm's REIT website and new career portal, and completed the migration for our enterprise backup solution, replacement of our external Intrusion Prevention Systems, and upgrade of the endpoint protection system. In addition, the team developed an automated and streamlined process for managing REIT subscriptions, using online tools and integrating with back-end core systems.

Administration

The Administration Department continued to provide internal services and resource management to meet the growing needs of Jadwa's team across our offices in Riyadh, Jeddah, and Khobar. This included facilitating

firm events, optimizing office space utilization, and processing over 3,000 administrative requests through our internal, paperless workflow system.

Human Resources

With the important strategic objective of attracting, retaining, and motivating the best talent, our human resources team continued its efforts to review and enhance our HR and talent management strategy and practices across the entire HR life cycle. As part of this effort, we completed four additional strategic HR initiatives this year: review and upgrade of our performance management system, launch of an online recruiting portal, introduction of standardized recruiting assessment tools, and review and enhancement of our training policy.

As for training and development, our human resources team organized in-house training programs on a number of topics, including Advanced MS Excel & Visual Basic Application, Fund Performance Measurement, Cash Flow Analysis, and Risk and Attribution Analysis. Additionally, a number of team members attended various external training and executive education programs at leading academic institutions. In total, 61 team members enrolled in internal and external training for an aggregate of 1,694 training hours during 2017.

Corporate Communications

Throughout an eventful calendar year, the proactive and strategic approach of Jadwa's corporate communications function has manifested itself across media relations, event participations, and broad stakeholder engagement activities. The department's activities included issuing press releases and arranging TV and print interviews with top-tier media outlets throughout the year, covering both firm news and market developments. All of this contributed to over 3,000 mentions of Jadwa's activities and opinions across a wide range of local and international media. We also sponsored and participated in a number of conferences and events, including two


exclusive workshops on Awqaf investment best practices at the Riyadh and Dammam Chambers of Commerce. Jadwa also sponsored the 2017 Euromoney Conference, which included the participation of three Jadwa speakers and publishing an exclusive Euromoney special report.

Corporate Social Responsibility

Corporate social responsibility continued to feature significantly within Jadwa's operating culture during 2017. This included holding a series of lectures on financial literacy and the continuation of Jadwa's highly sought-after internship and cooperative training program, both in partnership with leading universities in Saudi Arabia and beyond. Through our internship program, we offer trainees the opportunity to work alongside our professional team for a period of three to seven months, with the aim of providing practical exposure, work-based learning, and skill enhancement necessary to develop and direct their future careers. A total of 17 interns – 9 men and 8 women – were selected to participate in the program across different departments during 2017.




Our Private Equity Investments



Fund: Jadwa Co-Investment Fund (Saudi Lube Oil)
Sector: Oil & Gas
Acquisition Stake: 30 percent
Status: Invested
Website: www.luberef.com

Luberef is the only base oil producer in the Kingdom of Saudi Arabia and is one of the largest suppliers of base oil to lube oil blenders in the Kingdom. Its operations started in 1978 with the start-up of its Jeddah refinery, and a second refinery was commissioned in 1998 in Yanbu. In 2017, Luberef completed an expansion of its Yanbu refinery which will double the company's base oil production capacity and allow Luberef to produce Group II base oils. The majority of Luberef's base oil production is consumed in Saudi Arabia. The company also exports its products to Gulf and Asian markets. Jadwa Industrial Investment Company and the Jadwa Co-Investment Fund own 30% of Luberef. The remaining 70% of the company is owned by Saudi Aramco.



Fund: Food and Beverage Opportunity Fund
Sector: Food & beverage
Acquisition Stake: 30 percent
Status: Exited
Website: www.gulf-union.com

Gulf Union Foods Company ("GUFC") was founded in 1999. It is one of the leading companies in the production and marketing of juices and beverages. The company is located in the third industrial city in Riyadh, Saudi Arabia, where it is equipped with the latest machinery, equipment and production lines with highly technical specifications, advanced technology and the highest standards of quality.

Jadwa's Food and Beverage Opportunity Fund fully exited its 30 percent stake in GUFC through a trade sale of 51% of GUFC to Olayan Financing Company in July 2014.



Fund: Jadwa Technology Special Opportunity Fund
Sector: Electronics & appliances
Acquisition Stake: 49 percent
Status: Invested
Website: www.umg.com.sa

United Matbouli Group ("UMG") is a leading retailer and distributor of home appliances, air conditioners and consumer electronics. It's the sole distributor of Samsung electronics and appliances (white and brown goods) and is the leading, non-exclusive distributor of Samsung handheld devices in Saudi Arabia. In addition, UMG has a retail presence in the retail megastores segment across Saudi Arabia through Electro.



Fund: Jadwa Building Materials Opportunity Fund
Sector: Building materials
Acquisition Stake: 49 percent
Status: Invested
Website: www.zamilco.com

Al Zamil Co. for Industry, Trade, & Transport is a Riyadh-based limited liability company, founded in 1990. The Company is a leading building materials company, with primary focus on late-stage house requirements, including water tanks, manhole covers, automated doors, and insulation services. It is the uncontested leader in the water tank business, with approximately a 32% market share. The Company is building a new manufacturing facility in Jeddah which will utilize the blow molding technology to manufacture its tanks.



Fund: Jadwa Tourism & Hospitality Opportunity Fund
Sector: Hospitality & entertainment
Acquisition Stake: 35 percent
Status: Exited
Website: www.alhokair.com

Al Hokair Group was established in 1978, commencing its operations by establishing the first theme park in Riyadh. In 1985, the Group ventured into the hospitality sector. With a history spanning over 40 years, the Group has now evolved into one of the earliest investors in hospitality and entertainment in the Kingdom.

Jadwa Tourism & Hospitality Opportunity Fund exited 30% of its stake in June 2014 during a secondary IPO of Al Hokair Group and subsequently fully exited its remaining stake through the Saudi Stock Exchange (Tadawul).



Fund: Jadwa Healthcare Opportunities Fund
Sector: Healthcare
Acquisition Stake: 30 percent
Status: Publicly listed
Website: www.alhammadi.com

With a history that dates back over thirty years, Al Hammadi is one of the pioneers in the Saudi private healthcare sector. Al Hammadi established its first hospital in the Olaya district of Riyadh in 1985 with a modest capacity of 50 beds and 12 outpatient clinics. The Company has now evolved into a leading private healthcare services provider in Riyadh with 1,378 beds and 202 outpatient clinics across three hospitals in Riyadh.

Jadwa Healthcare Opportunities Fund currently owns 21% in Al Hammadi following a capital increase through a primary IPO of the Company on the Saudi Stock Exchange (Tadawul) in July 2014.

Our Private Equity Investments




Fund: Jadwa Waste Management Opportunities Fund
Sector: Industrial waste management
Acquisition Stake: 100 percent
Status: Invested
Website: www.gems-ksa.com

GEMS is a leading industrial waste management company in Saudi Arabia. The company provides hazardous waste-management, industrial and engineering services to the oil, petrochemical and industrial sectors in Saudi Arabia, as well as the trading of recycled oil products. GEMS has a strong, experienced management team, complemented by access to an in-house science and engineering center in Spain, which boasts a highly qualified team of scientists, engineers and financial professionals.




Fund: Jadwa Mechanical Opportunities Fund
Sector: Industrial Manufacturing
Acquisition Stake: 56 percent
Status: Invested
Website: www.smi.com.sa

Saudi Mechanical Industries Company is a Riyadh based Company established in 1982 to manufacture fluid flow and control equipment in KSA. SMI has grown its operations to become a leading engineering components manufacturer producing a range of products including pumps, gear drives, and steel and bronze bars for use in a broad array of industries including oil & gas, infrastructure, automotive, agriculture and mining. Today, SMI is working with more than 290 clients across Saudi Arabia, United States, Europe, and the MENA region.




Fund: Jadwa Refining Opportunities Fund
Sector: Petrochemical Re-refining
Acquisition Stake: 37 percent
Status: Invested
Website: www.trottersgroup.com

Innova Refining Holdings Limited, formerly known as Trotters Holdings Limited, is an integrated petrochemical by-products and used lube oil processing, trading and logistics company headquartered in the UAE. Through its advanced facilities, Innova transforms petrochemical by-products and used lube oil into value added products that are used in numerous industries including construction, pharmaceuticals and textiles. The company employs a versatile team of professionals, including scientists and researchers, engineers and marketing professionals, working together to serve international clients worldwide



Fund: Jadwa Healthcare Opportunities Fund 2
Sector: Healthcare
Acquisition Stake: 42 percent
Status: Invested
Website: www.uems.ae





United Eastern Medical Services is a UAE-based integrated healthcare group that specializes in the women, fertility and children's healthcare segments in Abu Dhabi. The group is comprised of a network of premium, specialized health centers spread across Abu Dhabi that provide care in areas including diabetes, children's health, fertility and family health services, as well as Moorfields Eye Hospital in Abu Dhabi, a joint venture with Moorfields London, the oldest and largest ophthalmic center in the world. The group also includes Danat Al Emarat, a specialized women and children hospital with 150 beds.



Fund: Jadwa Healthcare Opportunities Fund 3
Sector: Healthcare
Status: Invested
Website: www.al-mhedeb.com

Al Muhaideb Dental Group was established in Riyadh in 2001 and has grown to become the largest dental group in the Kingdom offering a complete range of dental services and specializations. The group operates 40 dental clinics and 12 dental laboratories with over 300 dental chairs spread across 5 cities in the Kingdom.

Our Real Estate Investments

 <p>جدوى للإستثمار Jadwa Investment</p>	<p>Fund: Jadwa UK Special Opportunities Fund Sector: Multiple Strategy: Income generating Status: Partially exited</p> <p>The fund was launched for the purpose of acquiring four income-generating properties across the residential, office, and retail sectors within the United Kingdom.</p>
 <p>SOUTH BANK TOWER</p>	<p>Fund: South Bank Tower Sector: Multiple Strategy: Development Status: Partially exited</p> <p>The fund was launched for the purpose of acquiring South Bank Tower (SBT) in the city of London in partnership with CIT. Within 13 months of acquiring the property, Jadwa and CIT obtained the necessary permits to re-configure and expand the tower for the purpose of enhancing its value and yield. Since then, we have re-designed the office and retail components of the tower and expanded the residential component to 194 apartments through the addition of new floors.</p>
 <p>الارجان ALARGAN</p>	<p>Fund: Al Argan Saudi Residential Development Fund Sector: Residential Strategy: Development Status: Partially exited</p> <p>The fund was launched for the purpose of developing a residential project comprising of 396 apartments in the city of Riyadh. The project is located within AlArgan's Manazel Qurtuba Project, which is an integrated housing community that includes retail, education, and public facilities.</p>
 <p>جدوى للإستثمار Jadwa Investment</p>	<p>Fund: Jadwa Al Azizia Real Estate Investment Fund Sector: Hospitality Strategy: Development Status: Invested</p> <p>The fund was launched for the purpose of developing a hospitality project comprising of two pilgrim accommodation towers in the Azizia district, Makkah. Upon completion, the project will deliver 955 rooms with the capacity to accommodate 5,200 pilgrims during the Hajj and Ramadan seasons. The fund is expected to benefit from the projected growth in Hajj and Omrah pilgrim inflows once the Holy Mosque expansion and other infrastructure projects are concluded.</p>

 <p>ALBASATEEN</p>	<p>Fund: Jadwa Al Basateen Real Estate Investment Fund Sector: Residential Strategy: Development Status: Invested</p> <p>The fund was launched for the purpose of developing a prominent residential project on King Khalid Road, north western Riyadh. The project consists of multiple phases with the first phase involving land development and the construction of 61 residential villas. The remaining phases will include the construction of additional villas, a residential compound, schools, and a commercial center.</p>
 <p>جدوى ريت الحرمين Jadwa REIT Al Haramain</p>	<p>Fund: Jadwa REIT Al Haramain Fund Sector: Multiple Strategy: Income generating REIT Status: Publicly listed</p> <p>Listed in April 2017 on the Saudi Exchange with an initial size of SAR 660 million, Jadwa REIT Al Haramain Fund is the first listed REIT fund in Saudi Arabia that specializes in investing in the two holy cities of Makkah and Madinah. The fund's initial portfolio consisted of two hospitality assets in Makkah with a combined capacity of 974 hotel rooms. Since listing, the fund has secured a SAR 500 million bank facility to finance the REIT's growth plans, and has completed two accretive acquisitions in Makkah for a total value of SAR 148 million.</p>
 <p>جدوى ريت السعودية Jadwa REIT Saudi</p>	<p>Fund: Jadwa REIT Saudi Fund Sector: Multiple Strategy: Income generating REIT Status: Publicly listed</p> <p>Jadwa REIT Saudi Fund aims to invest in a diversified manner across all other major cities in Saudi Arabia, with an initial fund size of SAR 1.58 billion. The initial portfolio consists of a pool of five properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. As of its public offer, Jadwa REIT Saudi Fund offers investors the highest initial net yield amongst all listed REITs at 7.3%, and is the first REIT to provide quarterly distributions in the Saudi market. The fund was approved by the Capital Market Authority (CMA) on December 28, and is slated for listing during early 2018.</p>

10 years of ... thought leadership



The Saudi Economy in 2018: Trends to Watch

We expect an improvement in the Saudi economy in the year ahead, supported by both the oil and non-oil sector. Oil sector GDP is expected to improve, in part, due to rises in oil production as OPEC and non-OPEC countries gradually exit from cuts at some point during the year. Growth in the non-oil sector is forecasted to improve as an expansionary budget, with a specific set of stimulus packages, lifts activity. According to our forecasts, economic growth will improve to 1.5 percent in 2018, up from -0.7 percent in 2017. The oil sector will see the largest improvement in the year ahead, rising to 1.5 percent in 2018, compared to a decline of 3 percent in 2017, whereas, the non-oil private sector is set to improve from 0.7 percent in 2017, to 1.1 percent in 2018.

The largest ever budgeted expenditure, announced in this year's fiscal budget, continues to support the overarching goals of the Vision 2030. The focus of spending remains on economic diversification, but also aims to shield economically vulnerable households from necessary energy price reform. Moreover, 2018 will be a defining year for non-oil revenue, as a raft of different measures, such as energy price reform, Value Added Tax (VAT), expat levies, and white land tax, will contribute to pushing this increasingly important revenue segment to its largest ever total of SR291 billion. Conversely, these same measures present the biggest risks to growth in the year ahead. Whilst consumer spending could be affected by the implementation of VAT, energy price reform will impact the running costs of private companies and discretionary income of a number of more affluent households. That said, we see the set of expansionary measures, implemented via the private sector stimulus package, as well payments received under the Citizen's Account plus the recently announced cost of living allowances, as being sufficient to bring about solid growth in the non-oil sector in 2018.

Improvements in both oil and non-oil export revenue will help push the current account balance to 3.8 percent of GDP in 2018, compared to an expected 1.2 percent in 2017. An improvement in export revenue will also be one of the main contributing factors to a slowdown in net FX reserve withdrawals during the year. Additionally, the financial account may benefit from a higher level of portfolio investment inflows if the Saudi Stock Exchange (Tadawul) is included into the MSCI emerging market (MSCI EM) index during 2018, and a portion of Saudi Aramco's shares are listed on the Tadawul All-Share Index (TASI). Overall, we expect a further slowdown in the pace of FX reserve withdrawals in 2018. According to our estimates, net FX reserves will decline by \$22 billion during 2018, to a total of \$474 billion.

Energy Price Reform

A number of energy products saw a hike in price for 2018, in line with the government's energy reform plan timeline outlined under the Fiscal Balance Program. Prior to the 2018 budget, the Saudi Cabinet approved a rise in electricity tariffs for residential, commercial, agricultural, healthcare, private education and charitable institutions. According to our calculations, based on 2016 electricity consumption data, the residential segment saw the highest rise, by 145 percent, in average electricity tariffs. In addition to electricity, the price of standard and premium gasoline was also raised. Premium gasoline prices rose by 127 percent, whilst standard gasoline rose by 83 percent, inclusive of VAT, which also came into effect in the new year. Separately, diesel for manufacturing and utilities was up 15 percent, but there was no change in price for transportation diesel. Going forward, we expect a decline in domestic energy consumption in some fuel types following the recent round of energy price reform in the Kingdom.

Private Sector Stimulus Package

The government announced a SR72 billion program to stimulate private sector growth, as part of a four year package, with SR24 billion of this being expended in 2018. The package includes 16 initiatives directed towards a number of sectors, such as housing, exports and manufacturing. The package aims to boost growth in the private sector, especially after a relative slowdown in the local economy in the past two years. A considerable portion of the SR72 billion stimulus package is allocated to the real estate sector; SR21 billion for residential housing loans, and SR14 billion for efficient building technologies projects. The two initiatives together account for about 48 percent of total stimulus package, thereby showing significant support to the housing and construction sectors. The stimulus package also includes SR10 billion for mega private sector projects, SR5 billion for an export bank, SR5 billion for an investment program and SR2.8 billion for Small and Medium-sized Enterprises (SMEs) venture capital projects. An important initiative to the SMEs is reimbursement of government fees paid by SMEs for the first three years of the start-up with an allocated package of SR7 billion, for companies launched from 2016 onwards. The repayment also covers 80 percent of SMEs expat levies for three years, thereby helping such enterprises cope with costs in the initial years of transition under current economic reform plans.

The stimulus package is a clear sign that particular effort is being made by government to enhance competitiveness and attract investments in the private sector. The package is expected to enhance growth in the private sector through encouraging investment and providing support to the key growth enablers in the economy, such as SMEs.

spending normally leads to higher demand for services from some of the largest sectors in the private economy, including construction, transport, and utilities. As such, the larger capital spending in 2018 shows a renewed emphasis by government to support growth in the private sector and help realize the objectives highlighted under the Vision 2030. Separately, a total of SR133 billion will be expended by the PIF and the NDF during the year, although this amount will not be funded through the 2018 budget. Meanwhile, current spending, the more rigid part of expenditure, is expected to increase by 4 percent, year-on-year, to a budgeted total of SR773 billion.

The Largest Ever Budgeted Expenditure

Improving sentiment over global oil demand and OPEC, and other major producers, adherence to cuts during the year helped push up prices. Full year Brent oil prices averaged \$54 per barrel (pb) in 2017, compared with our forecast of \$52 pb, resulting in a 25 percent rise year-on-year. More recently, oil prices broke through the \$70 pb for the first time since 2014, as signs that OPEC and non-OPEC production cuts, which were recently extended until the end of 2018, are creating a more tighter oil market.

Looking at the oil market beyond Q1 and into 2018 as a whole, we see risks to current oil prices as a result of expanding US output and possible OPEC and non-OPEC exit from the output agreement. The current volatility seen in equity markets, linked to higher interest rates and a stronger dollar, only add to a downward pressure. Therefore, we expect full year Brent oil prices to average \$60 pb in 2018 and \$65 pb for 2019.

The Largest Ever Budgeted Expenditure

The 2018 budget disclosed the largest ever budgeted expenditure at SR978 billion, up by SR88 billion or 10 percent year-on-year. This year's budget continues to support the overarching goals of the Vision 2030, with a strong focus on supporting economic diversification, shielding economically vulnerable households from necessary energy price reforms, and spending on key physical and social infrastructure. Also, SR72 billion worth of measures to stimulate growth in the private sector, as per a royal decree, were announced before the budget. According to the statement, budgeted capital spending will rise by 14 percent year-on-year, to SR205 billion in 2018, this compares to SR180 billion in 2017. This type of expenditure can have positive implications on growth in the non-oil private sector, since capital



10 years of ... differentiated offering

Shariah Board:

The Shariah Board is comprised of the following scholars:

Sheikh Dr. Abdulla Al Mutlaq (Chairman of the Board)
Member of the Senior Ulama Board, Consultant for the Saudi Royal Diwan, former Chairman of the comparative Fiqh, Imam Mohammed Bin Saud Islamic University and a member of Shariah Board in a number of financial institutions in the Kingdom.

Sheikh Dr. Muhammad Ali Elgari (Member of the Board)
Professor of Islamic Economics at King Abdulaziz University in Jeddah, expert of the Fiqh Academy of the Organization of Islamic Conference in Jeddah.

Sheikh Bader Abdulaziz Al Omar (Member of the Board)
Head of the Shariah group at Jadwa Investment, and a Shariah board member.

Sheikh Ahmad Abdulrahman Al Gaidy (Member of the Board)
Head of Shariah research, and secretary of the Shariah board.

Shariah Supervisory Board Annual Statement for the Year 2016

This annual statement reflects the compliance of Jadwa Investment with the Shariah guidelines, as well as the cooperation and commitment of all departments in applying Shariah resolutions.

المجموعة الشرعية
Shariah Group

جدوى للاستثمار
Jadwa Investment

In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD

(Annual Shariah Statement for the Year 2017)

All praise is due to Allah, peace and blessings are due to Prophet Muhammad, his household and companions.

To **Jadwa Investment Shareholders:**

Assalamualaikum warahmatullahi wabarakatuh

After we have reviewed the annual Shariah audit report, which confirms the company's commitment to Shariah resolutions, and the annual financial statement for the company, the Shariah board is of the opinion that:

1. All contracts and agreements that Jadwa has entered into during the year 2017, and brought to our attention, were Shariah compliant.
2. Profits and losses charged to the investment account are consistent with the rules that the Shariah board had approved, and therefore are shariah compliant.
3. Income received from prohibited sources was disposed of through distribution to charitable purposes.

The Shariah board expresses its gratitude to Jadwa management and staff for their commitment to applying Shariah guidelines and resolutions. We pray to Allah Almighty to grant them success.

Peace and blessings are due to prophet Muhammad, his household and companions.


Dr. Abdullah Al Mutlaq

Chairman


Dr. Mohammad Elgari

Member


Bader Abdulaziz Alomar
Member


Dr. Ahmad Abdulrahman Al Gaidy
Secretary & Member



10 years of ... prudent governance

Corporate Governance

Jadwa Investment has adopted corporate governance principles that are in line with international standards and in harmony with the issued rules and regulations from the authorities in the Kingdom of Saudi Arabia. Jadwa has fulfilled and complied with the requirements in relation to the establishment of the Board's committees, independence of the Board of Directors, and implementation of the corporate governance infrastructure, as adopted by the Capital Market Authority.

The table below outlines Jadwa's compliance with the corporate governance requirements:

No.	The sequence of Articles according to the CMA Circular	Elaboration	Committed
1	Formation of the Board of Directors to include independent members.		✓
2	The board issues an annual report that includes:		✓
2.1	Description of key activities, planning and important decisions.		✓
2.2	Financial results and comments of the auditor, if any.		✓
2.3	Names of companies that have a Jadwa board member on their Board of Directors, the formation of the Board of Directors, and the classification of each board member.		✓
2.4	Description of the names and functions of the board committees, names of the Chairmen and members of each committee, and the number of conducted meetings of each committee.		✓
2.5	Details of the remuneration and compensation paid by the firm to the board members and five senior executives, as per the designated schedule.		✓
2.6	Any penalties, sanctions or reserve requirements imposed on the firm.	<ul style="list-style-type: none"> Breach of point (A), article 15 of the IFRS (SAR10,000) Breach of point (B), article 5 of the APRs (SAR100,000) Breach of point (B), article 69 of the APRs (SAR20,000) Breach of clause (2), circular number 15/12170/ص (SAR10,000) 	✓
2.7	The results of annual audit of the effectiveness of the internal controls of the firm.		✓
2.8	Description of any risks that can affect the firm, and the firm's risk management policy.		✓
2.9	Description of material differences between current operational results and the previous year's operational results, and any announced projections.		✓
2.10	Any benefits, contractual securities, and subscription rights of the board members or any related party in relation to the shares or debt instruments of the firm or any of its subsidiaries, and any changes in these benefits or rights during the last fiscal year.		✓

2.11	Information related to the firm's loans, whether they are payable upon request or otherwise, including a description of the original loan amount, the name of the lender, the duration of the loan, the remaining amount outstanding, the current indebtedness of the firm and its subsidiaries, and the amount of any loan repayments during the fiscal year. If there are no loans, the Board must declare this in the annual report.		✓
2.12	The number of board meetings held during the fiscal year and a record of attendance.		✓
2.13	Any deals between the firm and any related party.		✓
2.14	Description of any contracts or transactions related to the firm, any of the board members, the Chief Executive Officer, the Chief Financial Officer, or any related party, including the nature of these transactions and contracts, terms and conditions, duration, and amount. The board must declare if such contacts or transactions do not exist.		✓
3	Establishment of Governance Structure		✓
3.1	Definition of the policies and procedures relating to board membership, and the responsibilities and functions of the board.		✓
3.2	Definition of the authorities of the Board of Directors and the executive management.		✓
3.3	The development of a professional code of conduct.		✓
3.4	Formation of supervisory committees.		✓

Board of Directors' membership in other companies

	Name	Classification	Membership in other companies
1	Mr. Adib Al Zamil	<ul style="list-style-type: none"> Non-Independent Non-Executive 	<ul style="list-style-type: none"> Fajr Capital Ltd. Dubai – Chairman of the Board of Directors SANABIL Investment (Saudi Joint Stock Company) – Member of the Board of Directors Saudi Guardian International float Glass (Gulfguard) Ltd (Saudi Joint Stock Company) – Member of the Board of Directors United Carton Industries Company Ltd. (Saudi Joint Stock Company) – Chairman of the Board of Directors Zamil Group Holding Company (Saudi Joint Stock Company) – Member of the Board of Directors Zamil Industrial Company (Listed Company) – Member of the Board of Directors

	Name	Classification	Membership in other companies
2	Mr. Abdulaziz Al Subeaei	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital Ltd. Dubai – Member of the Board of Directors • Farabi Petrochemical Ltd. (Saudi Joint Stock Company) – Member of the Board of Directors • Jabal Omar Development Company (Listed Company) – Chairman of the Board of Directors • Mohammed Ibrahim Al-Subeaei & Sons Investment Holding (MASIC) (Saudi Joint Stock Company) – Member of the Board of Directors • National Aquaculture Group (NAQUA) (Saudi Joint Stock Company) – Member of the Board of Directors • Saudi Mechanical Industries Company (Saudi Joint Stock Company) – Chairman of the Board of Directors
3	Dato' Noorazman Abdulaziz	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Acibadem Saglik Ve Hayat Sigorta AS – Member of the Board of Directors • Acibadem Saglik Yatirimlari Holding AS (ASYH) – Member of the Board of Directors • Felda Investment Corporation Sdn Bhd – Member of the Board of Directors • PT Lintas Marga Sedaya – Member of the Board of Directors • UEM Group Berhad – Chairman of the Board of Directors
4	Mr. Iqbal Khan	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Bank Islam Brunei Darussalam Berhad – Member of the Board of Directors • Cravia Inc. – Member of the Board of Directors • Fajr Capital Advisors Ltd. – Member of the Board of Directors • Fajr Capital Ltd. Dubai – Managing Director & Chief Executive Officer • GEMS Education Company (MENASA) – Member of the Board of Directors • MENA Infrastructure (GP) Ltd. UAE – Member of the Board of Directors • National Petroleum Services – Member of the Board of Directors • Syarikat Takaful Brunei Darussalam – Member of the Board of Directors
5	Mr. Howard Marks	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Oaktree Capital Management, L.P., USA – Chairman of the Board of Directors • Sies Marjan – Member of the Board of Directors • Topor & Co. – Member of the Board of Directors
6	Mr. Christopher Masterson	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital Ltd. Dubai – Member of the Board of Directors • Havenvest Private Equity Middle East – Member of the Board of Directors • MLLP Holdings Ltd – Member of the Board of Directors • MML II Ltd. – Member of the Board of Directors • Montagu Private Equity LLP – Chairman of the Board of Directors • MPE Associate Co. Ltd. – Member of the Board of Directors
7	Mr. Michael Powell	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • E-Circuit Motors – Member of the Board of Directors • Exogenesis Corporation, USA – Member of the Board of Directors • Fajr Capital Ltd. Dubai – Member of the Board of Directors • FinEx Capital Management LLP, UK – Member of the Board of Directors • Passport Systems Inc., USA – Member of the Board of Directors • Thematic Capital Partners LLP, UK – Chairman of the Board of Directors

8	Mr. Abdulrahman Al Rowaita	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • AlEssa Industries Company (Joint Stock Company) – Member of the Board of Directors • Amlak International Company (Joint Stock Company) – Member of the Board of Directors • Aseer Trading, Tourism & Manufacturing Company (Listed Company) – Managing Director and General Manager • Halawani Bros (Listed Company) – Chairman of the Board of Directors • King Abdullah Economic City (Emaar) (Listed Company) – Member of the Board of Directors • Saudi Research and Marketing Group (Listed Company) – Member of the Board of Directors • Wilaya Investment (Saudi Joint Stock Company) – Vice Chairman of the Board of Directors
9	Mr. Tariq Al Sudairy	<ul style="list-style-type: none"> • Non-Independent • Executive 	<ul style="list-style-type: none"> • Abdulmohsen Al-Hokair Group for Tourism and Development (Listed Company) – Member of the Board of Directors • Alrajhi Alpha Investment Holding (Saudi Joint Stock Company) – Member of the Board of Directors • Saudi Aramco Base Oil Company (Luberef) – Member of the Board of Directors • Saudi Stock Exchange (Tadawul) – Member of the Board of Directors

During 2017 the Board conducted four meetings:

Meeting	Date	Attendees
1 Board Meeting No. 34	27/03/2017	Mr. Adib Al Zamil Mr. Abdulaziz Al Subeaei Dato' Noorazman Abdulaziz Mr. Iqbal Khan Mr. Christopher Masterson Mr. Michael Powell Mr. Abdulrahman Al Rowaita Mr. Tariq Al Sudairy
2 Board Meeting No. 35	06/06/2017	Mr. Adib Al Zamil Mr. Abdulaziz Al Subeaei Dato' Noorazman Abdulaziz Mr. Iqbal Khan Mr. Michael Powell Mr. Abdulrahman Al Rowaita Mr. Tariq Al Sudairy
3 Board Meeting No. 36	16/10/2017	Mr. Adib Al Zamil Mr. Abdulaziz Al Subeaei Dato' Noorazman Abdulaziz Mr. Iqbal Khan Mr. Howard Marks Mr. Christopher Masterson Mr. Michael Powell Mr. Abdulrahman Al Rowaita Mr. Tariq Al Sudairy
4 Board Meeting No. 37	12/12/2017	Mr. Adib Al Zamil Mr. Abdulaziz Al Subeaei Mr. Iqbal Khan Mr. Christopher Masterson Mr. Michael Powell Mr. Abdulrahman Al Rowaita Mr. Tariq Al Sudairy

Board of Directors' Committees

EXECUTIVE COMMITTEE		
1	Mr. Iqbal Khan	Chairman
2	Mr. Abdulaziz Al Subeaei	Member
3	Dato' Noorazman Abdulaziz	Member
4	Mr. Tariq Al Sudairy	Member
5	Mr. Naif Abuhaimed	Secretary

The Executive Committee oversees the financial and operational performance of the firm, assists the Board of Directors in handling specific matters, and ensures that proper monitoring systems are in place. The committee held four meetings in 2017.

INVESTMENT COMMITTEE		
1	Mr. Michael Powell	Chairman
2	Mr. Mazen Al Jubair	Member
3	Mr. Tariq Al Sudairy	Member
4	Mr. Amer Afioni	Member
5	Mr. Abdulaziz Al Arifi	Member
6	Mr. Zaheeruddin Khalid	Member
7	Mr. Saad Al Saif	Member
8	Mr. Naif Abuhaimed	Secretary

The Investment Committee ensures that the investment of Jadwa's capital is conducted in accordance with the Proprietary Investment Program, continuously monitors the overall investment performance of the firm's capital, and recommends changes as appropriate. The committee held four meetings in 2017.

AUDIT & RISK COMMITTEE		
1	Mr. Abdulrahman Al Rowaita	Chairman
2	Dr. Saud Al Nemer	Member
3	Mr. Nasser Al Qahtani	Member
4	Mr. Rami Al Shedi	Secretary

The Audit & Risk Committee reviews Jadwa's financial reporting processes to ensure accuracy and proper disclosure, and ensures that the firm has proper internal audit, risk management, and control systems. The committee held four meetings in 2017.

REMUNERATION AND NOMINATION COMMITTEE		
1	Ms. Ann Almeida	Chairperson
2	Mr. Abdulaziz Al Subeaei	Member
3	Mr. Tariq Al Sudairy	Member

The Remuneration & Nomination Committee oversees Jadwa's strategies and policies in relation to the recruitment, reward, retention, motivation, and career development of the firm's team members. The committee held four meetings in 2017.

COMPLIANCE COMMITTEE		
1	Mr. Abdulaziz Al Subeaei	Chairman
2	Mr. Tariq Al Sudairy	Member
3	Mr. Mohammed Al Obaid	Member
4	Mr. Ali Al Segayh*	Member
5	Mr. Rami Al Shedi	Member
6	Mr. Anas Al Sheikh**	Member
7	Ms. Lamia Al Humaid	Secretary

The Compliance Committee oversees Jadwa's implementation of all applicable laws and regulations, with the aim to ensure full compliance, minimize legal and regulatory risk, and enforce the highest ethical standards. The committee held four meetings in 2017.

*Mr. Ali Al Segayh's membership ended on 28/09/2017 upon his resignation

**Mr. Anas Al Sheikh's membership started on 27/01/2018

Board & Executive Remuneration for the year 2017

Statement	Executive Members	Non-Executive/ Independent	Top five senior executives who received highest remuneration in addition to the CEO and CFO if they are not among them
Salaries and reimbursements	None	None	6,300,996
Per diem	12,000	254,000	3,201,216
Annual bonuses	None	1,600,000	11,204,000
Incentive plans	None	None	The firm provides long term incentive programs. The value of these programs is not determined upfront as it is linked to the future performance of the firm
Any other compensation or benefit paid on a monthly or annual basis	None	None	None

Annual Audit Assessment of the Effectiveness of the Company's Internal Control Procedures

Internal controls at Jadwa Investment are ensured by three dedicated departments: Internal Audit, Compliance and Risk Management. The departments ensure that policies and procedures are in place and are regularly reviewed, updated and approved by the Policy and Procedures Committee, as per the firm's delegation authority matrix. The matrix sets the authorities and responsibilities of different stakeholders within the firm.

The Internal Audit Department ensures that controls are in place, and that they conform with the Capital Market Authority's guidelines as well as international best practices, by adopting a risk-based approach and by conducting the annual audit plan. All observations highlighted are presented to the Audit and Risk Committee, and corrective action plans are suggested and agreed to by the management. A proper governance structure is in place in the form of Board committees, including the Executive Committee, Remuneration and Compensation Committee, Investment Committee, Audit and Risk Committee and Compliance Committee.

Risk Management

The primary objectives of the Risk Management function are to ensure that Jadwa's asset and liability profile, trading positions, and credit and operational activities do not expose it to losses that could threaten the viability of the firm. The Risk Management Department helps ensure that risk exposures do not become excessive relative to the firm's capital base and financial position. In all circumstances, all activities giving rise to risk are identified, measured, managed and monitored.

The Board of Directors and management are responsible for defining the firm's risk appetite, developing a risk management strategy, establishing an overall risk culture, and approving the exposure limit structure for different types of risks. The board is ultimately responsible for ensuring that an adequate and effective system of internal controls is established and implemented, and that an effective risk management framework is in place.

1. CREDIT RISKS

To manage its credit risk, the firm assigns appropriate limits for counterparty exposure. The Risk Management Department also performs continuous portfolio risk reviews and highlights key observations and exceptions, if any, to senior management and the Audit and Risk Committee.

2. MARKET RISKS

Jadwa manages market risk through the establishment of risk limits. These risk limits are established using a variety of risk measurement tools, including sensitivity analysis, value-at-risk calculations and stress test methodologies.

3. LIQUIDITY RISK

Jadwa manages its balance sheet liquidity by collating the projected cash flows and liquidity profiles of its financial assets and liabilities, with the aim of addressing various liquidity needs, such as routine expenses, cyclical market fluctuations, future changes in market conditions, or a change in the appetite of liquidity providers.

The firm also monitors limits for current ratios, liquidity coverage, and the ratio of cumulative gap to total liabilities on a regular basis to ensure that Jadwa is self-funded during stressed scenarios. The liquidity coverage ratio (LCR) ensures that Jadwa has adequate stock of unencumbered, high-quality liquid assets that can be converted instantly into cash to meet the firm's liquidity needs for 30 calendar days.

3.1 CONTINGENCY FUNDING PLAN

Jadwa draws a contingency funding plan at the beginning of each year to address any liquidity crises. The contingency funding plan clearly assesses the sources of funding through diverse resources and is presented to the board for approval.

4. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems, or from external events. ERA has a dual focus of reducing risk and seeking business opportunity. Jadwa uses a Risk Control Self-Assessment (RCSA) approach to identify operational risks and appropriate controls. This operational risk framework enables the firm to comprehend inherent risks, and to highlight such risks to the team in order to

proactively identify existing and emerging risks and effectively manage, transfer, avoid, or mitigate their impact.

Jadwa's operational risk framework consists of following modules:

- Risk control and self-assessment (RCSA)
- Operational loss incident and loss management
- Risk mitigation
- Risk monitoring, acceptance and reporting

4.1 INSURANCE RISK

To mitigate the impact of operational risk, Jadwa has an adequate set of policies, such as professional indemnity. Insurance policies are aligned to suit the level of inherent operational risk and must be cost-effective for the firm.

4.2 BUSINESS CONTINUITY MANAGEMENT (BCM)

Jadwa is committed to protecting its team members and ensuring its critical business functions and infrastructure capabilities are in place to protect its organization, safeguard clients, and sustain the firm's objectives. BCM components consist of the following:

- Crisis management
- Business continuity plan
- Disaster recovery plan

Jadwa annually performs disaster recovery testing for its critical functions at an offsite in Riyadh to ensure the ongoing availability of key resources that are necessary during a crisis.

(More details on financial risks are provided under note 26 of the financial statement)

The Board Acknowledgment

The Board of Directors acknowledges that there were no contracts or businesses related to the Company during the fiscal year 2016, in which any member of the Board, the CEO, the CFO or any Related Person had any interest.

A low-angle photograph of a large palm tree trunk and fronds against a bright sky with a sun flare. The trunk is thick and textured, showing the characteristic diamond-shaped patterns of the frond bases. The fronds are long and feathery, radiating outwards from the top of the trunk. The sky is a pale, clear blue, and a bright sun flare is visible in the lower right corner, creating a starburst effect. The overall scene is bright and sunny, suggesting a tropical or subtropical environment.

10 years of ... distinctive achievements

Balance Sheet as at December 31st, 2017

	Notes	2017	2016
ASSETS			
		SR	
Current assets			
Cash and cash equivalents	4	260,216,878	204,002,766
Accounts receivable, net	5	21,973,659	30,083,241
Held for trading investment	6	131,088,388	418,417,055
Due from related parties	7	293,799,083	157,206,993
Prepaid expenses and other current assets, net	8	8,214,768	5,896,900
Total current assets		715,292,776	815,606,955
Non-current assets			
Available-for-sale investments	9	1,123,583,040	1,029,492,893
Property and equipment, net	10	5,065,950	5,307,388
Equity-accounted investee	11	286,056,263	213,885,918
Total non-current assets		1,414,705,253	1,248,686,199
TOTAL ASSETS		2,129,998,029	2,064,293,154
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank borrowings	12	290,240,821	242,317,091
Accounts payable		879,099	862,661
Accrued expenses and other current liabilities	13	34,738,817	47,004,090
Zakat and income tax provision	14	9,819,115	12,738,147
Total current liabilities		335,677,852	302,921,989
Non-current liabilities			
Bank borrowings	12	--	44,999,325
End-of-service benefits		17,846,353	14,344,358
Share based payments	15	50,497,811	31,561,448
Total non-current liabilities		68,344,164	90,905,131
TOTAL LIABILITIES		404,022,016	393,827,120
Shareholders' equity			
Share capital	1	852,735,000	852,735,000
Statutory reserve	16	325,462,754	325,462,754
Fair value reserve	9&11	393,642,830	326,261,173
Retained earnings		154,135,429	166,007,107
Total shareholders' equity		1,725,976,013	1,670,466,034
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,129,998,029	2,064,293,154

Statement of Income for the year ended December 31st, 2017

	Notes	2017	2016
INCOME			
		SR	
Asset management		210,989,070	178,822,666
Investment banking		35,463,681	78,611,949
Brokerage		3,561,551	6,776,703
Income from proprietary investments, net	17	9,618,811	17,124,128
Share of net (loss) / income of an equity-accounted investee	11	(1,593,264)	9,034,352
Total income		258,039,849	290,369,798
EXPENSES			
Salaries and other employees related benefits		(119,916,224)	(118,892,798)
Depreciation	10	(1,981,476)	(2,128,675)
Rent expenses		(4,597,569)	(4,125,398)
Special commission expense on bank borrowings		(11,182,996)	(10,460,056)
Other general and administrative expenses	18	(37,110,281)	(36,726,949)
Impairment of available-for-sale investment	9	--	(8,255,380)
Total expenses		(174,788,546)	(180,589,256)
NET INCOME		83,251,303	109,780,542
Earnings per share:	19	0.98	1.29

Statement of Cash Flows for the year ended December 31st, 2017

	Notes	2017	2016
OPERATING ACTIVITIES			
Net income		83,251,303	109,780,542
Adjustments for:			
Share of net loss / (income) on equity-accounted investee	11	1,593,264	(9,034,352)
Depreciation	10	1,981,476	2,128,675
End-of-service benefits		3,902,129	3,677,976
Provision / (reversal) for doubtful receivables	5	1,562,500	(233,876)
Share based payments	15	22,733,553	19,930,194
Realized loss on sale of available-for-sale investments, net	9	4,132,080	2,596,207
Unrealized gain on held for trading investment	17	(1,340,250)	(4,417,055)
Realized gain on sale of held for trading investment, net	17	(2,331,083)	(941,741)
Impairment of available-for-sale investment	9	--	8,255,380
Changes in operating assets and liabilities			
Accounts receivables		6,547,082	9,281,317
Due from related parties		(136,592,090)	(36,048,551)
Prepaid expenses and other current assets, net		(2,033,845)	6,567,264
Accrued expenses and other current liabilities		(12,265,273)	(12,016,977)
Accounts payable		16,438	(8,027,310)
Cash generated from operating activities		(28,842,716)	91,497,693
End-of-service benefits paid		(400,134)	(170,726)
Share based payments		(3,797,190)	(2,847,735)
Zakat and income tax paid	8.1&14	(13,052,536)	(5,064,080)
Net cash (used in)/generated from operating activities		(46,092,576)	83,415,152
INVESTING ACTIVITIES			
Purchase of property and equipment	10	(1,740,038)	(473,682)
Proceeds from sale of property and equipment		--	3,981
Additions to available-for-sale investments	9	(131,374,982)	(63,813,440)
Proceeds from sale of available-for-sale investments		26,770,803	323,911,354
Additions to held for trading investments	6	--	(414,000,000)
Proceeds from sale of held for trading investments		291,000,000	288,630,187
Net cash generated from investing activities		184,655,783	134,258,400
FINANCING ACTIVITIES			
Proceeds from bank borrowings		241,890,874	242,317,091
Repayment of bank borrowings		(238,966,469)	(240,820,112)
Loan to an equity-accounted investee		--	2,520,321
Dividend paid	20	(85,273,500)	(85,273,500)
Net cash used in financing activities		(82,349,095)	(81,256,200)
Net increase in cash and cash equivalents		56,214,112	136,417,352
Cash and cash equivalents at beginning of the year		204,002,766	67,585,414
Cash and cash equivalents at the end of the year	4	260,216,878	204,002,766
Non-cash items:			
Change in fair value reserve, net		63,249,577	(110,495,365)
Fair value of available-for-sale investments transferred to statement of income, net of impairment		(4,132,080)	10,851,587

Statement of changes in Shareholders' Equity for the year ended December 31st, 2017

	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
SR					
Balance as at 1 January 2017	852,735,000	325,462,754	326,261,173	166,007,107	1,670,466,034
Change in fair value of available-for-sale investment (Note 9&11)	--	--	63,249,577	--	63,249,577
Fair value of available-for-sale investments transferred to statement of income (Note 17)	--	--	4,132,080	--	4,132,080
Net income	--	--	--	83,251,303	83,251,303
Dividend (Note 20)	--	--	--	(85,273,500)	(85,273,500)
Zakat and income tax provision - current year (Note 14)	--	--	--	(9,819,115)	(9,819,115)
Zakat and income tax provision - prior year (Note 14)	--	--	--	(30,366)	(30,366)
Balance as at 31 December 2017	852,735,000	325,462,754	393,642,830	154,135,429	1,725,976,013
Balance as at 1 January 2016					
Change in fair value of available-for-sale investment	--	--	(110,495,365)	--	(110,495,365)
Fair value of available-for-sale investments transferred to statement of income (Note 17)	--	--	2,596,207	--	2,596,207
Impairment of investment recognized in statement of income (Note 9)	--	--	8,255,380	--	8,255,380
Net income	--	--	--	109,780,542	109,780,542
Transfer to statutory reserve	--	10,978,054	--	(10,978,054)	-
Dividend (Note 20)	--	--	--	(85,273,500)	(85,273,500)
Zakat and income tax provision - current year (Note 14)	--	--	--	(12,738,147)	(12,738,147)
Zakat and income tax provision - prior year (Note 14)	--	--	--	(192,342)	(192,342)
Balance as at 31 December 2016	852,735,000	325,462,754	326,261,173	166,007,107	1,670,466,034

Notes to the Financial Statements for the year ended December 31st, 2017

1. GENERAL

Jadwa Investment Company (“the Company”) is a Saudi closed joint stock company established pursuant to the Royal Decree Number M/30 and registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010228782 on 1 Safar 1428 H (corresponding to 19 February 2007).

The share capital of the Company, amounting to SR 852,735,000 (31 December 2016: SR 852,735,000), is divided into 85,273,500 shares (31 December 2016: SR 85,273,500 shares) of SR 10 each.

The principal activities of the Company are trading as principal and agent, underwriting, establishment and management of mutual funds and portfolio management, arranging, providing advisory and safekeeping services for administrative arrangements and procedures relating to investment funds, portfolio management and trading as per license of the Capital Market Authority (“CMA”) number 37-6034, dated 3 Sha’baan 1427H (corresponding to 27 August 2006). The Company’s registered office is located at the following address:

7th Floor, Sky Tower,
King Fahad Road
P.O. Box: 60677 Riyadh
11555 Saudi Arabia.

2. BASIS OF PREPERATION

Statement of compliance:

The financial statements have been prepared in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as “The Law”) came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its By-laws for any changes to align with the Law.

As required by SOCPA, all capital companies are required to transition to International Financial Reporting Standards (“IFRS”) as endorsed by SOCPA effective 1 January 2018 for preparation of their financial statements. In preparing the first set of IFRS, the management will analyze the impact of the first time adoption of IFRS on current and prior year financial statements and will accordingly incorporate the necessary adjustments “to adopt certain accounting policies that may be different from current applicable accounting standards as issued by SOCPA” in the Company’s first set of IFRS financial statements.

Basis of measurement:

These statements have been prepared under the historical cost convention except for the measurement at fair value of available-for-sale investments and held for trading investments, and the measurement of investment in an associate (equity-accounted investee) using equity method; using the accrual basis of accounting and the going concern concept.

Functional and presentation currency:

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and reporting currency of the Company.

Use of estimates and judgements:

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents:

Cash and cash equivalents include cash at bank in current accounts and liquid investments with original maturities of three months or less from the acquisition date.

Account Receivables:

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

Held for trading investments:

Investments classified as held for trading, are acquired principally for the purpose of selling or repurchasing in the short term. Securities which are held for trading are subsequently measured at fair value and any gain or loss arising from a change in fair value is included in the statement of income in the period in which it arises and is disclosed as “proprietary income”.

Available-for-sale investments:

Available-for-sale investments (“AFS”) are non-derivative investments that are designated as AFS or not classified as another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investments which are classified as AFS are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized through the statement of changes in shareholders equity in "change in fair value of investments" under equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to the statement of income for the period and are disclosed as gains / (losses) in proprietary income.

Impairment of financial assets:

An assessment is made at each reporting 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. For AFS carried at fair value, impairment loss, which is the difference between cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the statement of income, is transferred from the statement of changes in equity to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognised in the statement of income.

Impairment is determined as follows:

Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the profit and loss;
- 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;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Financial assets are written off only in circumstances where all possible means of recovery have been exhausted.

Investments in associates:

Associates are those entities in which the Company owns shares in their capital, and over which it exercises significant influence but not control. Associates are accounted for using the equity method (equity-accounted investee) and are initially recognized at cost. The financial statements include the Company’s share of income and losses and equity movement of the equity-accounted investee. When the Company’s share of loss exceeds its interest in an associate, the Company’s carrying amount is reduced to nil and recognition of further losses is accounted for as liability to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company’s share of profits or losses of the investee company is credited or charged to the statement of income.

Property and equipment:

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

	Years
Computer equipment	4
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4
Leasehold improvements	Shorter of lease term or economic life

Impairment of non-financial assets:

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

Provisions:

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

Cash settled share based payments:

The cash settled share based payment expense and its related liability is initially recognized by reference to the book value of shares, at reporting date, multiplied by a predetermined factor. Until the liability is settled, the liability is re-measured at the end of each reporting period. Any changes in value of the liability is recognized in the statement of income. Further, the eligible employees are also entitled to receive all dividends in accordance with the Company’s dividend policy in respect of the Company’s ordinary shares.

Foreign currency translation:

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

End-of-service benefits:

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

Assets under management:

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

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

Clients' cash accounts:

The Company holds cash in clients' cash accounts with local banks to be used for investments on their behalf. Such balances are not included in the Company's financial statements.

Revenue recognition:

Revenue is recognized upon delivery of services to customers and is stated net of discounts. Fee charged for managing assets (including mutual funds) is recognized as the services are provided. Subscription fee is recognized upon subscription of the investor to the fund. Performance income is recognized in accordance with the terms and conditions of the managed fund.

Advisory service fee is accrued on a time proportionate basis, as the services are rendered.

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

Commission income is recognized on an accrual basis.

Zakat and income tax:

The Company's Saudi shareholders are subject to Zakat in accordance with the Regulations of the General Authority for Zakat and Taxation (the "GAZT") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of Zakat arising therefrom is provided by a charge to Saudi shareholders' equity. The Company's foreign shareholders are subject to income tax in accordance with Regulations of Zakat and Income Tax as applicable in the Kingdom of Saudi Arabia. Income tax is computed on adjusted net income. An estimate of income tax arising there from is provided by a charge to foreign shareholder's equity.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include cash at bank in current accounts and Murabaha deposits with original maturities of less than three months.

Notes	2017	2016
	SR	
Cash at bank - current accounts	125,657,202	21,953,423
Murabaha deposits 4.1	134,559,676	182,049,343
	260,216,878	204,002,766

4.1 Murabaha deposits are made for varying periods ranging from one day to three months depending on the liquidity requirements of the Company carrying an average yield of 1.51% per annum (31 December 2016: 2.3% per annum).

5. ACCOUNT RECEIVABLES, NET

	2017	2016
	SR	
Accounts receivables	21,973,659	35,013,066
Provision for doubtful receivables	--	(4,929,825)
Account receivables, net	21,973,659	30,083,241

Movement in the provision for doubtful receivables for the years ended 31 December is as follows:

	2017	2016
	SR	
Balance as at 1 January	4,929,825	5,163,701
Provision / (reversal) made during the year	1,562,500	(233,876)
Write-off during the year	(6,492,325)	-
Balance as at 31 December	-	4,929,825

6. HELD FOR TRADING INVESTMENT

The cost and fair value of held for trading investment as at 31 December, are as follows:

	2017		2016	
	SR			
	Cost	Fair value	Cost	Fair value
Open-ended fund	128,378,441	131,088,388	414,000,000	418,417,055

This represents investment made in units of an open-ended Murabaha fund which is managed by the Company.

7. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of its shareholders, associated and affiliated companies, funds under management, directors and key management personnel of the Company. These transactions are carried out on mutually agreed terms and approved by the management of the Company.

During the year, the Company transacted with related parties in the normal course of business.

The significant transactions with related parties and the related amounts are as follows:

Related Party	Nature of transaction	2017	2016
		SR	
Funds under Management	Asset management	135,301,411	105,716,604
Funds under Management	Investment banking	31,000,000	63,524,493
Funds under Management	Purchase of held for trading investments	-	414,000,000
Funds under Management	Disposal of held for trading investments	291,000,000	288,630,188
Funds under Management	Purchase of available-for-sale investment	128,500,000	63,813,440
Funds under Management	Disposal of available-for-sale investment	27,700,867	279,905,085
Funds under Management	Expenses incurred on behalf of managed Funds	12,864,848	6,411,595
Funds under Management	Dividend income	7,566,740	11,576,540
Board of Directors	Remuneration [a]	3,000,000	3,000,000
The Associate	Service fees [b]	1,500,000	1,500,000
The Associate	Expenses incurred on behalf of the Associate	681,587	--

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

In addition to related party balances disclosed elsewhere in these financial statements, the balances resulting from transactions with related parties and included in these financial statements are as follows:

	2017	2016
Nature of balance		SR
Held for trading investment	131,088,388	418,417,055
Available-for-sale investments	1,064,799,077	960,917,919
Due from related parties:		
Fees receivable from managed funds	166,696,235	135,299,405
Other receivables from managed funds	19,001,160	14,707,588
Receivable for proceed of sale of investment	48,981,351	--
Dividend receivable from fund	4,139,100	--
Refund receivable for investment in fund	34,000,000	--
Transaction fee receivable	18,799,650	7,200,000
Service fee and expenses receivable from equity-accounted investee (b)	2,181,587	--
	293,799,083	157,206,993

(a) This includes annual fee paid to the Board members amounting to SR 375,000 each (2016: SR 375,000).

(b) Fee charged to an equity-accounted investee for providing management services in accordance with a service level agreement with the Associate.

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Note	2017	2016
		SR
Prepaid software maintenance	2,752,511	1,600,236
Advance income tax 8.1	1,676,345	1,392,322
Advances to employees	1,554,245	1,064,543
Prepaid rent	928,592	1,015,288
Prepaid insurance	1,303,075	824,511
	8,214,768	5,896,900

8.1. Movement of advance income tax:

	2017	2016
		SR
Balance at beginning of the year	1,392,322	2,870,415
Payment made during the year	1,676,345	613,590
Adjustment for provision for tax and zakat	(1,392,322)	(2,091,683)
Balance at end of the year	1,676,345	1,392,322

9. AVAILABLE-FOR-SALE INVESTMENTS

The following is the movement of cost and fair value of available-for-sale investments for the years ended 31 December:

	2017			
	Open ended mutual funds	Close ended mutual funds	Equity securities	Total
				SR
Cost:				
Balance at beginning of the year	135,963,440	795,762,053	592,345	932,317,838
Additions	75,000,000	56,317,113	57,869	131,374,982
Disposals	(25,470,279)	(5,432,604)	--	(30,902,883)
Balance at end of the year	185,493,161	846,646,562	650,214	1,032,789,937
Fair value adjustment:				
Balance at beginning of the year	(4,031,298)	203,086,382	(94,662)	198,960,422
Unrealized loss on revaluation	(3,542,321)	(6,814,000)	(157,711)	(10,514,032)
Realized loss on disposal	6,488,929	(2,421,403)	64,554	4,132,080
Impairment recognized in the statement of income	--	--	--	--
Balance at end of the year	(1,084,690)	193,850,979	(187,819)	192,578,469
Impairment	--	(101,785,367)	--	(101,785,367)
Fair value at end of the year	184,408,471	938,712,174	462,395	1,123,583,040

Notes to the Financial Statements
for the year ended December 31st, 2017 (continued)

	2016			Total
	Open ended mutual funds	Close ended mutual funds	Equity securities	
SR				
Cost:				
Balance at beginning of the year	315,450,000	832,367,138	47,194,821	1,195,011,959
Additions	20,313,440	43,500,000	--	63,813,440
Disposals	(199,800,000)	(80,105,085)	(46,602,476)	(326,507,561)
Balance at end of the year	135,963,440	795,762,053	592,345	932,317,838
Fair value adjustment:				
Balance at beginning of the year	(7,562,922)	282,828,312	(6,672,667)	268,592,723
Unrealized loss on revaluation	3,613,102	(95,560,134)	11,463,144	(80,483,888)
Realized loss on disposal	(5,259,470)	(3,231,470)	11,087,147	2,596,207
Impairment recognized in the statement of income	--	8,255,380	--	8,255,380
Balance at end of the year	(9,209,290)	192,292,088	15,877,624	198,960,422
Impairment	--	(101,785,367)	--	(101,785,367)
Fair value at end of the year	126,754,150	886,268,774	16,469,969	1,029,492,893

The change in fair value of available-for-sale investments amounting to SR 193,280,461 is included in fair value reserve under shareholders' equity as at 31 December 2017 (31 December 2016: SR 198,960,422).

10. PROPERTY AND EQUIPMENT, NET

	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
SR							
Cost							
Balance as at 1 January 2017	34,037,848	5,449,404	4,732,316	395,970	10,544,846	43,000	55,203,384
Additions	464,820	63,127	52,314	--	927,207	232,570	1,740,038
Balance as at 31 December 2017	34,502,668	5,512,531	4,784,630	395,970	11,472,053	275,570	56,943,422
Accumulated depreciation:							
Balance as at 1 January 2017	31,185,057	5,068,451	4,632,172	274,803	8,735,513	-	49,895,996
Charge for the year	1,254,856	202,162	57,481	4,167	462,810	-	1,981,476
Balance as at 31 December 2017	32,439,913	5,270,613	4,689,653	278,970	9,198,323	-	51,877,472
Net book value at:							
31 December 2017	2,062,755	241,918	94,977	117,000	2,273,730	275,570	5,065,950
31 December 2016	2,852,791	380,953	100,144	121,167	1,809,333	43,000	5,307,388

11. EQUITY-ACCOUNTED INVESTEE

The Company participated in setting-up of Jadwa Industrial Investment Company ("the Associate"). The Company's share is 30% of the Associate's total share capital of SR 500,000. The Company's investment in the Associate is accounted for under equity method.

Movement of the Company's investment in the Associate for the years ended 31 December is as follows:

	2017	2016
SR		
Balance at beginning of the year	86,585,166	77,550,814
Share of (loss) / income for the year	(1,593,264)	9,034,352
	84,991,902	86,585,166
Share of unrealized gain on revaluation of the Associate's available-for-sale investment Associate (Note 11.1)	201,064,361	127,300,752
Balance at the end of the year	286,056,263	213,885,918

The Company's share of unrealized gain on revaluation of available-for-sale investment of the Associate was SR 201,064,361 (31 December 2016: SR 127,300,752) and is included under the fair value reserve in shareholders' equity.

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

11.1 The table below shows the valuation technique including significant unobservable inputs used to determine fair value of the Associate's available-for-sale investment:

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the operations of the project, taking into account expected growth rate, sales prices, cash conversion cycle, terminal value growth rate etc. The expected net cash flows are discounted using risk-adjusted discount rates which is the weighted average cost of capital for the project.	<ul style="list-style-type: none"> Expected compounded annual growth rate: currently estimated at 26% between forecasted period 2016 to 2022. Thereafter, it is expected to grow at 3.5% per annum Risk adjusted discount rates: currently estimated at 10.8% - 11.2% per annum Product sales prices: forecasted prices used over a period of 15 years. Terminal value growth rate: currently estimated at 2.5% - 3% per annum 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> Expected compounded annual growth rate were higher (lower) Risk adjusted discount rates were lower (higher) Product sales prices were higher (lower) Terminal value growth rate was higher (lower)

12. BANK BORROWINGS

	Notes	2017	2016
SR			
Short-term Murabaha loan	12.1	238,400,000	238,400,000
Current portion of long-term Murabaha loan	12.2	44,999,325	--
Accrued commission expense	12.3	6,841,496	3,917,091
		290,240,821	242,317,091
Long-term Murabaha loan	12.2	--	44,999,325

12.1 This represents short-term Murabaha loan from a local commercial bank carrying a commission rate at agreed commercial rate. This facility arrangement includes certain covenants, which the Company was in compliance with during the years ended 31 December 2016 and 2017.

12.2 This represents financing in the form of Islamic Murabaha from a local commercial bank carrying a commission rate at agreed commercial rate. As at 31 December 2017, an amount of SAR 45 million was outstanding (31 December 2016: SAR 45 million) which is due for repayment on 27 August 2018. This facility is secured by a promissory note.

12.3 This represents accrued commission expense on outstanding Murabaha loans.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2017	2016
SR		
Accrued employees' benefits	25,459,873	33,443,198
Accrued transaction expenses	3,171,120	7,436,565
Other accrued liabilities	5,615,954	5,562,567
Payable to suppliers	491,870	561,760
	34,738,817	47,004,090

14. ZAKAT AND INCOME TAX

The principal elements of the Company's Zakat base are as follows:

	2017	2016
SR		
Share capital	852,735,000	852,735,000
Statutory reserve	325,462,173	314,484,700
Retained earnings	166,007,107	79,390,339
Investments	(1,108,843,929)	(916,338,666)
Property and equipment	(23,642,817)	(23,226,440)
Provisions	20,164,183	16,000,809
Long term borrowing	49,999,325	44,999,325
Adjusted net income	81,283,330	108,515,148
Impairment of available-for-sale investment	--	(8,255,380)
Zakat base	363,164,372	468,304,835

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

Zakat:

	2017	2016
	SR	
Portion of the Saudi shareholders' adjusted net income/ zakat base, whichever is higher (2017: 89.69 %, 2016: 89.96%)	325,722,125	420,022,607
Zakat for the year (2.5%)	8,143,053	10,500,565

Income tax:

	2017	2016
	SR	
Portion of adjusted net income for non-Saudi shareholders (2017: 10.31 %, 2016: 10.31%)	8,380,311	11,187,910
Income tax for the year (20%)	1,676,062	2,237,582

The following is the movement of the provision for Zakat and income tax for the year ended 31 December:

	2017	2016
	SR	
Balance at beginning of the year	12,738,147	6,349,831
Zakat charge for the year	8,143,053	10,500,565
Income tax charge for the year	1,676,062	2,237,582
Adjustment for prior year	30,366	192,342
Adjustment against advance payments	(1,392,322)	(2,091,683)
Payment made during the year	(11,376,191)	(4,450,490)
Balance at end of the year	9,819,115	12,738,147

The Company has filed its Zakat and tax returns for the years up to and including the financial year 2016 with the General Authority for Zakat and Taxation (the "GAZT"). The Company has received zakat assessment for the year 2007 raising an additional zakat liability of SR 3,032,875, which was recorded in previous period and paid during the year ended 31 December 2015. The Zakat and tax return for years 2008 to 2016 are still under review by the GAZT.

15. SHARE BASED PAYMENTS

The Company adopted a Virtual-Share Linked Incentive Scheme ("the Scheme"). The Scheme aims at rewarding the performance and retention of certain eligible employees by giving them an incentive linked to Virtual Shares (the "Award Shares") and, in particular, to the Company's financial performance. One-third of the Award Shares shall vest on each of the third, fourth and fifth anniversaries of the effective date and, upon vesting, shall constitute "Vested Shares".

The total expense incurred in relation to employees' services received during the year ended 31 December 2017, under the Scheme, amounted to SR 22.73 million (31 December 2016: SR 19.9 million) and is included in salaries and other employee related benefits.

16. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the new Saudi Arabian Regulations for Companies which came into effect on 25 Rajab 1437H (corresponding to 2 May 2016), the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. The statutory reserve already exceeds the 30% threshold specified, accordingly no transfer has been made during the year.

17. INCOME FROM PROPRIETARY INVESTMENTS, NET

	Notes	2017	2016
		SR	
Realized loss on sale of available-for-sale investments, net	9	(4,132,080)	(2,596,207)
Dividend income		7,573,957	12,321,309
Unrealized gain on held for trading investment		1,340,250	4,417,055
Realized gain on held for trading investments, net		2,331,083	941,741
Murabaha income		1,786,014	1,798,897
Others		719,587	241,333
		9,618,811	17,124,128

18. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2017	2016
		SR	
Professional and consulting fees		5,528,296	10,927,085
Subscription fees		5,151,167	4,988,712
Traveling expenses		3,761,218	3,629,992
Maintenance		4,016,062	3,626,303
Board of Directors' related expenses	7	3,000,000	3,000,000
Contractual staff cost		2,274,620	2,175,217
Telecommunication		1,216,243	1,226,767
Advertisement		447,803	595,704
Conference expenses		473,132	581,437
Meeting expenses		778,552	563,992
Withholding taxes		814,071	561,941
Printing		549,409	351,797
Utilities		631,989	306,022
Insurance		214,912	125,122
Security expenses		99,878	9,000
Provision / (reversals) for doubtful receivables	5	1,562,500	(233,876)
Others		6,590,429	4,291,734
		37,110,281	36,726,949

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

19. EARNINGS PER SHARE

Earnings per share from net income for the year is calculated by dividing the net income for the year by the weighted average number of shares for the year ended 31 December 2017 equivalent to 85.2735 million shares (31 December 2016: 85.2735 million shares).

20. DIVIDEND

During the year 2017, the shareholders in their Annual General Assembly meeting held on Shabaan 1, 1438 (corresponding to 27 April 2017) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1 per share.

During the year 2016, the shareholders in their Annual General Assembly meeting held on Jumada Al-Thani 20, 1437 (corresponding to 30 March 2016) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1 per share.

21. SEGMENT INFORMATION

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

Investment banking services

Investment banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, trade sales, mergers, acquisition, divestitures, spin-offs, syndications and structured products.

Brokerage

Brokerage operates under the brand of Jadwa Investment Company and acts as principal and agent, providing custody and clearing services to clients, providing access to regional exchanges.

Asset management services

The Company's asset management offers investors gateways into the GCC and Arab stock markets, and conventional equity and Shariah compliant investment funds using both active and passive management styles. In addition, offers Saudi Total Return Swaps (TRS), which provide international investors with access to the Saudi stock market.

Corporate

Corporate manages future corporate development and controls all treasury related functions. All proprietary investments, including investments in an associate within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss.

	Investment banking services	Brokerage	Asset management services	Corporate	Total
SR					
Year ended December 31, 2017					
Income	35,463,681	3,561,551	210,989,070	8,025,547	258,039,849
Expenses	(29,792,416)	(5,591,989)	(38,692,342)	(100,711,799)	(174,788,546)
Net income / (loss)	5,671,265	(2,030,438)	172,296,728	(92,686,252)	83,251,303
Total assets	2,601,565	211,471	314,132,729	1,813,052,264	2,129,998,029
Total liabilities	20,970,329	938,043	28,641,887	353,471,757	404,022,016
Year ended December 31, 2016					
Income	63,979,817	6,753,521	190,225,961	(13,482,293)	247,477,006
Expenses	(25,614,955)	(4,957,888)	(50,264,732)	(73,072,659)	(153,910,234)
Net income / (loss)	38,364,862	1,795,633	139,961,229	(86,554,952)	93,566,772
Total assets	4,000,274	626,615	155,673,941	1,983,628,832	2,143,929,662
Total liabilities	20,750,099	593,006	41,790,684	322,262,613	385,396,402

22. COMMITMENTS AND CONTINGENCIES

At 31 December 2017, the Company had an outstanding commitment in the form of a letter of guarantee on loan obtained by the Associate. The Company's share of commitment with respect to its share of investment in the Associate amounts to SR 201.3 million (31 December 2016: SR 204 million).

23. CLIENTS' CASH ACCOUNTS

At 31 December 2017, the Company was holding clients' cash accounts amounting to SR 513.41 million (31 December 2016: SR 721.34 million), to be used for investments on the clients' behalf. Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

24. ASSETS UNDER MANAGEMENT

These represent the mutual funds', private equity funds' and discretionary portfolios' assets related to the fund's unitholders managed by the Company, which amount to SR 24.05 billion as at 31 December 2017 (31 December 2016: SR 24.75 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

25. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, accounts receivables, held for trading investments, available-for-sale investments, due from related parties, investment in an associated company and other assets and its financial liabilities consist of bank borrowings, accounts payables and accrued expenses and other current liabilities. Except as described in note 2 to the financial statements, management believes the fair values of financial instruments are not materially different from their carrying values.

Notes to the Financial Statements for the year ended December 31st, 2017 (continued)

26. RISK MANAGEMENT

The Company manages its business risks in the creation, optimization and protection of enterprise value as well as creation of value for its investors. Therefore, risk management is an integral part of corporate strategy to ensure its effectiveness and value additive. Risk management goal is to understand and manage the risks rather than to avoid it.

The Company has designed its risk management framework to identify measure, monitor, mitigate, insure and reassess its key risks based upon changes in internal and external environment. The framework supports to achieve its strategic objective to optimize the risk return trade-off by either maximizing return for a given level of risk or reduce the risk for a given level of return. The Risk Management division, which is a vital link between business lines and management, develops and communicates risk appetite to risk owners and continuously monitors it to ensure risk exposures are within management's acceptable level.

In accordance with the regulatory requirements introduced under Pillar2 of the Prudential Rules prescribed by the CMA, the Company has implemented Internal Capital Adequacy Assessment Process ("ICAAP") through which all the material risks prevalent within the business operations are identified and the capital requirements are estimated over and above the minimum capital as per Pillar1. The ICAAP Report is submitted to CMA every year after getting approved internally.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash and cash equivalents, accounts receivables, due from related parties, loans to employees and advances to employees.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	Gross maximum exposure 2017	Gross maximum exposure 2016
		SR
Cash and cash equivalents	260,216,878	204,002,766
Accounts receivables	21,973,659	30,083,241
Due from related parties	293,799,083	157,206,993
Advances to employees	1,554,263	1,064,543
	577,543,883	392,357,543

The Company's cash equivalents and investments are placed with banks of sound credit rating and hence the credit risk is limited. The credit risk with respect to other receivables is limited as the total amount receivable is spread over a number of accounts.

Investment team focuses on the Sharia compliant products and markets where it can comprehend the inherent risks. The Company monitors and manages credit risk of its investments with tools i.e. policy & procedures and risk appetite that include limits for concentration, country, industry and acceptable rating levels for counterparties etc. The stringent approval framework of investment and exhaustive evaluation process alerts the management timely on risks. While investment team is responsible to maintain exposure within limits, it is independently monitored by risk management on a continuous basis.

Market Risk

Market risk is made up of key risks – commission rate risk, foreign exchange risk and equity price risk. Market risk is measured, monitored and managed with a blend of quantitative and qualitative approach along with experienced talent and quantitative tools include sensitivity analysis and Value at Risk approach. In addition, exposure limits for individual transactions, concentration, maturities and other risk parameters captures the risk timely.

Foreign exchange risk

Currency risk is the risk that the value of a financial investment may fluctuate due to change in foreign exchange rates. Management closely monitors the exchange rate fluctuations and believes that there is minimal risk of losses due to exchange rate fluctuations as the Company primarily deals with SAR.

Commission rate risk

The Company is subject to commission rate risk on its commission bearing bank time-deposits and borrowings.

The following table demonstrates the sensitivity of income to reasonably possible changes in special commission rates, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in special commission rates on the Company's income for one year, based on the floating rate financial assets held as at the year end. There is no impact on the Company's equity.

	2017	2016
		SR
Increase/decrease in basis points +/- 10 bps	413,077	200,419

Equity price risk:

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

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

Liquidity risk

The Company collates the projected cash flow and liquidity profiles of its financial assets and liability. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of certain liquid placement with financial institutions.

All liabilities other than end-of-service benefits and share based payments are contractually payable on a current basis. The table below shows an analysis of liabilities according to when they are expected to be recovered or settled:

Notes to the Financial Statements
for the year ended December 31st, 2017 (continued)

	2017			2016		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
SR						
Cash and cash equivalents	260,216,878	--	260,216,878	204,002,766	--	204,002,766
Accounts receivable, net	21,973,659	--	21,973,659	30,083,241	--	30,083,241
Held-for-trading investments	131,088,388	--	131,088,388	418,417,055	--	418,417,055
Due from related parties	293,799,083	--	293,799,083	157,206,993	--	157,206,993
Other current assets	1,554,263	--	1,554,263	1,099,143	--	1,099,143
Available-for-sale investments	--	1,123,583,040	1,123,583,040	--	1,029,492,893	1,029,492,893
Total financial assets	708,632,271	1,123,583,040	1,832,215,311	810,809,198	1,029,492,893	1,840,302,091
Bank borrowings	290,240,821	--	290,240,821	242,317,091	44,999,325	287,316,416
Accounts payable	879,099	--	879,099	862,661	--	862,661
Accrued expenses and other liabilities	34,738,817	--	34,738,817	47,004,090	--	47,004,090
Zakat and income tax provision	9,819,115	--	9,819,115	12,738,147	--	12,738,147
Total financial liabilities	335,677,852	--	335,677,852	302,921,989	44,999,325	347,921,314
Net financial assets	372,954,419	1,123,583,040	1,496,537,459	507,887,209	984,493,568	1,492,380,777

The Company manages its liquidity from balance sheet point of view where it collates projected cash flows and liquidity profiles of its financial assets and liabilities, which address the various liquidity needs such as routine expenses, cyclical fluctuations in economic conditions, future change in market conditions or surviving during loss of confidence among liquidity providers.

It also monitor limits for current ratios, liquidity coverage ratio and cumulative gap as % of total liabilities on a regular basis to ensure that Company is self-funded during stressed scenarios. Liquidity coverage ratio (LCR) ensures that the Company has adequate stock of unencumbered high quality liquid assets that can be liquidated instantly in cash to meet its liquid needs for 30 calendar days.

The Company draws contingency funding plan at the beginning of year to address any liquidity crises in future. The contingency funding plan clearly assess the sources of funding through diverse resources and place aforesaid plan before the board for their ratification and approval.

27. CAPITAL REGULATORY REQUIREMENT AND CAPITAL ADEQUACY

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

The Company monitors the capital adequacy and related ratios using the framework established by CMA effective 1 January 2014. Accordingly, the Company's Pillar 1 requirement related to Tier capital base, minimum capital requirement and capital adequacy ratio are as follows.

	2017	2016
SR '000		
Capital Base:		
Tier-1 Capital	1,332,332	1,344,205
Tier-2 Capital	393,643	326,261
Total Capital Base	1,725,975	1,670,466
Minimum Capital:		
Credit Risk	858,055	812,120
Market Risk	10,261	12,381
Operational Risk	43,697	45,147
Total Minimum Capital	912,013	869,648
Surplus Capital	813,962	800,818
Capital Adequacy Ratio (times)	1.89	1.92

Tier-1 Capital:

Tier 1 capital of the Company consists of paid-up share capital, capital contribution in the form of reserves and audited retained earnings.

Tier-2 Capital:

Tier 2 capital of the Company consists of revaluation reserves related to available-for-sale investments.

Credit Risk:

Credit exposures from non-trading activities of the Company is from bank current accounts, Murabaha deposits, short-term investments, available-for-sale investments, other current receivables, fixed assets and off-balance sheet commitments.

Market Risk:

Market risk represents the Company's exposure in foreign exchange and trading activities.

Operational Risk:

Operational risk arises from inadequate internal processes, people and systems or from external events. The management has computed the operational risk based on the Basic Indicator approach.

Capital Adequacy Ratio:

As per the CMA guidelines, the Company is required to maintain a capital base not less than the total minimum capital of the Company. However, the Company is adequately capitalized with surplus capital over and above the minimum capital requirement of the Company.

28. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation in the current year.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved on 3 Rajab 1439H, corresponding to 20 March 2018.

Pillar III Disclosure

Please visit the company website at www.jadwa.com to review the published Pillar III disclosure

Jadwa Investment's Subsidiaries

Jadwa Industrial Investment Company

Paid Capital: Five hundred thousand riyals.

Authorised Persons percentage of ownership: 30%.

Main Activity: Establishment of industrial projects, and establishment, operating and managing lubricant factories.

Headquarters: Riyadh.

Country of incorporation: Kingdom of Saudi Arabia.

Financing Information

Jadwa Investment's borrowings as of 31/12/2017

Bank Name	Amount of financing (SAR million)	Date of Financing Agreement Expiry	Principal Repayment during the Year	Outstanding Amount (SAR million)
SABB	238.4	April 2018		238.4
Alinma Bank	45	August 2018		45

Jadwa Industrial Investment Company's borrowings as of 31/12/2017

Bank Name	Amount of financing (SAR million)	Date of Financing Agreement Expiry	Principal Repayment during the Year	Outstanding Amount (SAR million)
Riyad Bank	680	February 2018	9	680