2018

Annual Report

جدوى للإستثمار
Jadwa Investment

بسم الله الرحمن الرحيم

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

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

Contents

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
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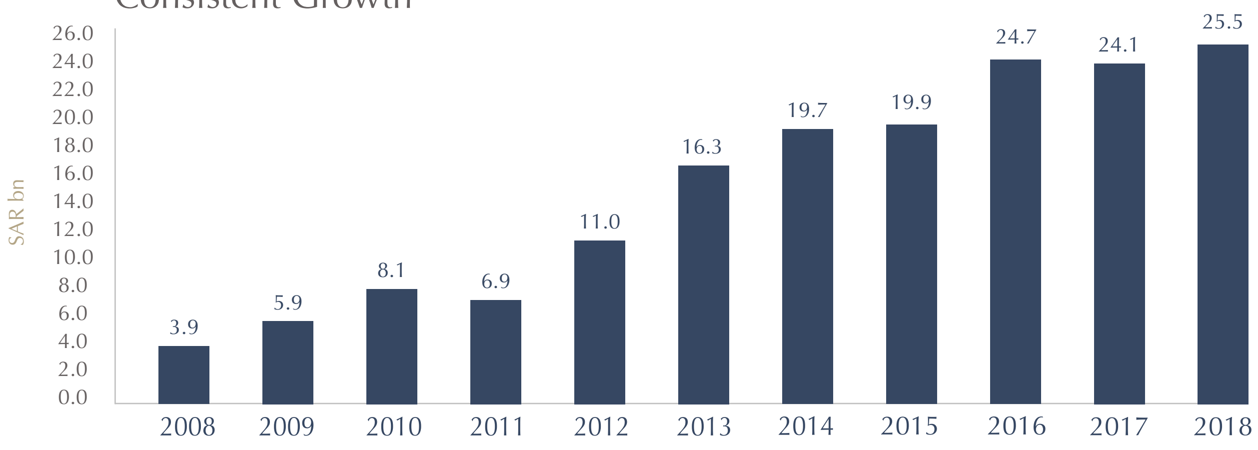
P.O. Box 60677, Riyadh 11555, Saudi Arabia

www.jadwa.com

Jadwa Investment by the Numbers

Consistent Growth



AUMs

Financial Performance

SAR 235.8 million	SAR 87.6 million	SAR 1.4 billion	SAR 1.6 billion
Operating Revenue	Operating Profit	Shareholders' Equity	Total Assets

Assets Under Management

SAR 25.5 billion	17.5% CAGR	SAR 1.4 billion	SAR 11.5 billion
Assets Under Management	Growth in AUMs since 2007	Growth in AUMs in 2018	Assets Under Advisement
SAR 14.9 billion	**SAR 5.9 billion**	**SAR 6.7 billion**	**SAR 7.2 billion**
Public Markets AUMs	Private Equity Invested Capital	Real Estate Invested Capital	Total Revenues of Portfolio Companies

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


Adib Al Zamil
Chairman of the Board of Directors


Abdulaziz Al Subeaei
Vice Chairman


Dato' Noorazman Abdulaziz
Member


Iqbal Khan
Member


Khalid Al-Khowaiter
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 2018.

The last twelve months has been a period of continued economic transformation under the government's comprehensive reform program. These reforms have focused on diversifying the national economy, enhancing economic productivity, promoting new and competitive economic sectors, and fully engaging the Saudi workforce. Within this context, we have continued to invest across asset classes within Saudi Arabia, driven by our conviction in the strong fundamentals of the Saudi economic landscape and confident in our capability to identify and capture compelling investment opportunities.

In 2018, our operating business generated SAR 235.82 million in revenues and SAR 87.60 million net income. These results reflect the continued growth momentum of our recurring revenue base, which grew by 9% to reach SAR 198 million during 2018. This, in turn, was driven by the consistent growth trajectory of our assets under management (AUM) and assets under advisement (AUA), which collectively grew by 25% over the past twelve months to reach SAR 37 billion. Having said that, the newly implemented IFRS accounting standards – as per CMA regulations – now require reflecting annual movements in our unrealized capital gains on the income statement. As the cumulative balance of our unrealized gains declined from SAR 393.83 million to SAR 103.64 million during 2018, we have had to record the difference of SAR 290.19 million as an unrealized capital loss against our profitability.

Beyond our financial results, the year saw Jadwa complete a record volume of investment and divestment transactions totaling SAR 2.9 billion, and deliver strong investment performance for our clients. This included launching Jadwa REIT Saudi Fund, our second real estate investment traded fund, making Jadwa the first investment manager to list two REIT funds and the largest REIT manager in Saudi Arabia. We also completed four acquisitions in the healthcare sector for three of our private equity portfolio companies as part of their inorganic growth strategies, and delivered over SAR 900 million in distributions to our clients through various private equity and real estate divestment transactions. Finally, our major public equity strategies delivered another year of distinctive and market-leading results that our clients have come to expect, outperforming their respective benchmarks by 2.2-7.8%. I am proud to report that, in recognition of this differentiated and consistent outperformance, Moody's has upgraded Jadwa's investment manager quality rating to MQ1, the highest rating on Moody's global scale for evaluating asset managers.

In light of Jadwa's robust results and performance outlook, the Board of Directors is pleased to propose a cash dividend of SAR 1 per share in 2018, equal to 10% of the nominal share value.

As we look towards 2019, we are confident as ever in Jadwa's growth prospects and momentum. Our insight-based investment methodology, creative expertise, and entrepreneurial mindset will allow us to continue to build on our strong foundations, and to create differentiated investment opportunities for our clients across different markets and asset classes. Jadwa's strategic path forward is well defined, and remains grounded in our commitment to put clients' interests first. Indeed, it is by delivering on our promises to clients that we are able to generate strong results for our shareholders, offer a rewarding environment for our people, and give back to our community.

I would like to express my sincere appreciation to our clients for their continued trust, to our shareholders for their enduring support, and to my fellow directors for their vision and insight. I would also like to express my gratitude to our management team for their inspiring tenacity and resilience. It is through their sense of purpose and perseverance that we are able to differentiate Jadwa's performance, track record, and reputation. As I look ahead, I am certain that our people, our values, and our commitment to excellence will take us to new heights of achievement.

Adib Abdullah Al Zamil
Chairman of the Board of Directors

Managing Director & CEO's Statement

Al Hammadi Healthcare

One of Jadwa's three private equity investments in the healthcare sector

Managing Director & CEO's Statement

2018 was a year of significant economic restructuring and transformation in Saudi Arabia. This economic transformation has been driven by an ambitious government reform program that aims to tackle structural deficiencies and inefficiencies, productively engage the Saudi human capital, and propel economic growth and diversification on the basis of sustainable competitiveness. Within this economic landscape, Jadwa has continued to explore, create, and capture attractive investment opportunities within the Saudi economy across our full range of asset classes. Our investments in the local economy are informed by our proprietary insight into the Saudi economic landscape, and our ability to identify, manage, and realize accretive investment opportunities.

Indeed, 2018 was another year in which Jadwa delivered exceptional investment opportunities and insight-driven investment outperformance for our clients in the midst of substantial economic change. The highlights for the year included growing our assets under management (AUM) and assets under advisement (AUA) by 25% to SAR 37 billion, delivering 2.2-7.8% of outperformance across our major public equity strategies, completing a record volume of SAR 2.9 billion in investment and divestment transactions, becoming the largest manager of listed REITs on the Saudi stock exchange, and achieving an upgrade to MQ1, the highest rating on Moody's global investment manager quality scale.

Financial Performance

Despite significant economic dislocations and market volatility, Jadwa delivered strong financial performance in 2018. Our operating business generated SAR 235.82 million in revenues and SAR 87.6 million in profits, driven by the continued growth momentum of our assets under management (AUM) and assets under advisement (AUA). Specifically, our AUMs grew by 6.1% to reach SAR 25.5 billion and our AUAs more than doubled to SAR 11.5 billion. As a result, our recurring revenue base grew by 9% to reach SAR 198 million during 2018.

However, 2018 was also a year in which Jadwa – in line with CMA regulations – was required to transition from Saudi reporting standards (SOCPA) to International Financial Reporting Standards (IFRS), which resulted in a significant change in our financial statements. The new reporting standards now require net changes in unrealized gains and losses in any given year to be reported in the income statement. Of course, this new accounting standard simply changes the structure of our financial reporting and has no implications for Jadwa's business fundamentals and financial health. Nonetheless, given that Jadwa holds over SAR 1.2 billion of investments on its balance sheet, we expect the implementation of IFRS to produce significant volatility in our reported net income figure going forward. Indeed, during 2018, the cumulative balance of our unrealized gains declined from SAR 393.83 million to SAR 103.64 million based on our latest asset valuations. As a result, we have had to record the difference of SAR 290.19 million as an unrealized capital loss against our profitability for the year.

Another notable implication of our transition to IFRS is that our balance sheet opening balances for 2018 had to be adjusted on a one-time basis. Specifically, our accumulated unrealized gains to date had to be transferred from our fair value reserve to our retained earnings without passing through the income statement. As a result, our accumulated balance of unrealized gains to date, which did not appear in our previous income statements under SOCPA, will no longer appear on Jadwa's future income statements upon realization under IFRS.

Business Performance

2018 was another exciting year for Jadwa, full of new records and milestones. Our achievements have been the result of deliberate execution of a well-defined strategy, guided by a persistent pursuit of excellence and an uncompromising commitment to our clients' best interest. Over the past twelve months, we have grown our client assets by 25% from SAR 29.6 billion to SAR 37.0 billion. This growth in client assets came from a 6.1% growth in AUMs to a record SAR 25.5 billion and more than doubling of our AUAs to a record SAR 11.5 billion. We are of course proud of our rapidly expanding client relationships, as we believe it is a reflection of their continued and growing trust in Jadwa. More importantly, we take this as a great responsibility to achieve the highest standards of investment prudence and performance, and to deliver on our clients' aspirations and expectations.

The year also saw Jadwa continue to deliver compelling investment opportunities and superior investment performance for our clients, across asset classes. In asset management, our major public equity strategies delivered returns of 12.8-15.4% during 2018, outperforming their respective benchmarks by 2.2-7.8%. In recognition of Jadwa's distinctive investment performance and practices, Moody's upgraded our investment manager quality rating from MQ2 to MQ1, the highest possible rating on Moody's global scale for evaluating asset managers. In its announcement of the upgrade, Moody's cited the consistency of Jadwa's investment performance, the quality and stability of our team, and our ability to attract and retain clients. Our asset management practice was also awarded "Best Islamic Asset Management Company" from Global Finance, "Best Asset Manager in the Middle East" and "Best Asset Manager in Saudi Arabia" from EMEA Finance, and "Best Saudi Equity Fund" (two-year performance) and "Best GCC Equity Fund" (three-year performance) from MENA Fund Managers.

In private equity, we completed four bolt-on acquisitions in the healthcare sector for three of our portfolio companies with a combined value of over SAR 350 million: one acquisition for Jadwa Healthcare Opportunities Fund in the medical supplies sector (Saudi Arabia), two acquisitions for Jadwa Healthcare Opportunities Fund 2 in the dental services (Saudi Arabia) and IVF fertility services (UAE) sectors, and one acquisition for Jadwa Healthcare Opportunities Fund 3 in the dental services sector (Saudi Arabia). We additionally completed a dividend recapitalization for Jadwa Refining Opportunities Fund. The transaction generated total distributions of SAR 217 million, equivalent to returning 64% of invested capital to our clients. Together, our completed investment and divestment transactions constitute a record number of completed transactions in a given year.

In real estate, we completed the public offering and listing of Jadwa REIT Saudi Fund on the Saudi stock exchange on February 11. In total, over 57,000 investors subscribed during the three-week offering period, with 54% of the fund value coming from institutional investors. Jadwa REIT Saudi Fund aims to invest in a diversified manner across major cities in Saudi Arabia, with an initial equity size of SAR 1.58 billion. The initial portfolio consists of a pool of five core and core plus properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. With this listing, Jadwa today is the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia with over SAR 2.3 billion in REIT AUMs. Additionally, our real estate practice completed an accretive acquisition of a retail property in Makkah during 2018 for our Jadwa REIT Al Haramain Fund, thereby increasing the fund's portfolio to five assets. This was positively reflected in the fund's dividends per unit, which grew by 7.7% since listing in 2017. All in all, our real estate investments in 2018 add up to a record SAR 1.6 billion, which is double our previous record of SAR 0.8 billion in 2014.

Our real estate practice also completed two divestment transactions in 2018. Our South Bank Tower Real Estate Fund in London achieved full exit and realization through a block trade transaction, which generated over SAR 600 million in distributions to our clients. On the other hand, Jadwa Al-Basateen Real Estate Fund completed a partial divestment of SAR 149 million through a public auction process.

As for our investment advisory practice, we have grown our assets under advisement from SAR 5.5 billion to SAR 11.5 billion in the span of 2018. The scope of our advisory services to institutional clients included developing their investment strategy and asset allocation program, advising on manager selection, and providing operational set-up and performance monitoring support.

Outlook for 2019

We look forward to 2019 with great optimism, knowing that Jadwa's growth prospects and outlook continue to be as bright as ever. The path forward is well defined and our collective aspiration is to build on our strong foundations and investment track record. In 2019 and beyond, we will continue to seize the full breadth of emerging opportunities in the Saudi economy, further expand our offerings across asset classes and markets to address growing demand for wider investment profiles, and deliver differentiated investment performance for our clients.

As we endeavor to reach greater heights and a new set of achievements, we will always remain true to our guiding principles of delivering on our promises and putting our clients' interests above all other considerations. We will maintain our insight-driven investment discipline and prudence to ensure our continued outperformance and success in the long run. And we will continue to invest in and leverage our core capabilities, with the aim to protect and further enhance our leadership position across everything we do. In doing so, we will continue our confident march towards realizing Jadwa's full potential.

Appreciation

We recognize that our achievements over the past year would not have been possible without our clients' continued trust. They certainly stand at the center of everything we do, and we reaffirm our deepest gratitude and commitment to always give them our very best.

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

Finally, I extend my sincere appreciation to Jadwa's professional team for their unrelenting passion and perseverance in pursuit of excellence. It is their vigorous commitment, vibrant ingenuity, and intrinsic drive towards achieving new heights that defines who we are as an organization.

Tariq Al Sudairy
Managing Director & CEO

Business Overview


Dar Al Youm Tower

A property of Jadwa Saudi REIT Fund

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 25.5 billion in assets under management across public equity, private equity, real estate, and fixed income, and over SAR 11.5 billion of globally diversified assets under advisement. Our clients include government entities, local and international institutional investors, leading 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 advisory services; and research.

Today, Jadwa is the Kingdom's best performing public equity manager, largest private equity investor, and largest manager of listed REITs. We have developed a reputation as the "Partner of Choice" best able to deliver differentiated performance to our clients, and best suited to take 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. Over the past twelve months, we have grown our client assets by 25% from SAR 29.6 billion to SAR 37.0 billion. This growth in client assets came from a 6.1% growth in assets under management (AUMs) to a record SAR 25.5 billion and more than doubling of our assets under advisement (AUAs) to a record SAR 11.5 billion. We are of course proud of our rapidly expanding client relationships, as we believe it is a reflection of their continued trust in Jadwa's capability to deliver superior investment results. More importantly, we take this as a great duty to achieve the highest standards of investment prudence and performance, and to deliver on our promises and commitments to 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. And in line with our track record, Jadwa delivered another set of distinctive investment returns for our clients during 2018. Our major public equity strategies delivered returns of 12.8-15.4%, outperforming their respective benchmarks by 2.2-7.8%. In recognition of Jadwa's performance, Moody's upgraded our investment manager quality rating from MQ2 to MQ1, the highest rating on Moody's global scale for evaluating asset managers. In its announcement of the upgrade, Moody's cited the consistency of Jadwa's investment performance, the quality and stability of our team, and our ability to attract and retain clients.

Jadwa's superior investment performance was also recognized by a number of prominent industry observers during 2018. In addition to being the first asset manager in Saudi Arabia to achieve full GIPS compliance, Jadwa's asset management practice was awarded "Best Islamic Asset Management Company" from Global Finance, "Best Asset Manager in the Middle East" and "Best Asset Manager in Saudi Arabia" from EMEA Finance, and "Best Saudi Equity Fund" (two-year performance) and "Best GCC Equity Fund" (three-year performance) from MENA Fund Managers.

Private Equity

2018 was another busy and productive year for our private equity practice. In line with previous years, our deployment activity in this space continued to be underpinned by prudent screening and careful selection of target sectors and investments from the wide universe of identified investment opportunities.

Indeed, over the past twelve months, we completed four bolt-on acquisitions in the healthcare sector for three of our portfolio companies as part of their inorganic growth initiatives, with a combined value of over SAR 350 million. These transactions included one acquisition for Jadwa Healthcare Opportunities Fund in the medical supplies sector (Saudi Arabia), two acquisitions for Jadwa Healthcare Opportunities Fund 2 in the dental services (Saudi Arabia) and IVF fertility services (UAE) sectors, and one acquisition for Jadwa Healthcare Opportunities Fund 3 in the dental services sector (Saudi Arabia). The origination and structuring of these acquisitions was an important part of our post-acquisition efforts to promote the growth and development of our portfolio companies.

We additionally completed a dividend recapitalization for Jadwa Refining Opportunities Fund. The transaction generated total distributions of SAR 217 million, equivalent to returning 64% of invested capital to our clients. Together, our completed investment and divestment transactions in private equity during 2018 constitute a record number of completed transactions in a given year.

Real Estate

Fiscal year 2018 saw Jadwa achieve a new set of records and milestones in the space of real estate investments. Our real estate practice completed the public offering and listing of Jadwa REIT Saudi Fund on the Saudi stock exchange on February 11. In total, over 57,000 investors subscribed during the three-week offering period to yield 121% fund coverage, with 54% of the fund value coming from institutional investors. Jadwa REIT Saudi Fund aims to invest in a diversified manner across major cities in Saudi Arabia, with an initial equity size of SAR 1.58 billion (the largest at the time of offering). The initial portfolio consists of a pool of five core and core plus properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. With this listing, Jadwa today is the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia with over SAR 2.3 billion in REIT AUMs. Subsequent to listing, we have obtained a SAR 1 billion debt facility from Banque Saudi Fransi for the purpose of financing the fund's acquisition plans.

As for our Jadwa REIT Al Haramain Fund, we successfully completed an accretive acquisition of a retail property in Makkah during May, thereby increasing the fund's portfolio to five assets. This was positively reflected in the fund's dividends per unit, which grew by 7.7% since listing last year. All in all, our real estate investments in 2018 add up to a record SAR 1.6 billion, which is double our previous record of SAR 0.8 billion in 2014.

Our real estate practice also completed two divestment transactions during 2018. Our South Bank Tower Real Estate Fund in London achieved full exit and realization through a block trade transaction, which generated over SAR 600 million in distributions to our clients. On the other hand, Jadwa Al-Basateen Real Estate Fund completed a partial divestment of SAR 149 million through a public auction process.

Investment Banking

Through its investment banking advisory practice, Jadwa continued to advise 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 Advisory

Our investment advisory practice offers government entities and private institutions customized and comprehensive support in developing and executing their long-term investment policy across the full range of asset classes and geographies. In the span of 2018, Jadwa grew its assets under advisement from SAR 5.5 billion to SAR 11.5 billion. The scope of our advisory services to institutional clients included developing their investment strategy and asset allocation program, advising on manager selection, and providing operational set-up and performance monitoring support.

Brokerage

Throughout 2018, 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 37 reports in 2018, covering key economic and market developments. This included macroeconomic reports, such as our latest on the Saudi macroeconomic outlook and 2019 Saudi Fiscal Budget report, as well as thematic reports, including our coverage of the 2030 Vision Realization Programs, Financial Sector Development Program, oil and refining markets, and Saudi equity market.

Our research continued to attract widespread market attention and coverage across television and print media. Our Chief Economist conducted live TV interviews on a regular basis and was invited to speak at 21 local and international conferences. These included invitations to present our economic research at Chatham House in London, Columbia University in New York, IIF Economic Forum in Istanbul, 2018 Top CEO Conference, AIM Summit in Abu Dhabi, Financial Sector Development Forum, and Annual Gulf Intelligence Energy Markets Forum. The research team also held 90 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 now grown to over 5,400 subscribers and our reports have been downloaded via Jadwa's website more than 118,450 times during the year.

Shariah

Throughout 2018, 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 studied and issued 20 resolutions regarding a range of topics, including the structure of prospective investments in private equity, real estate, and other alternative asset classes. Our Shariah team also completed its annual audit procedures, updated the Shariah screening lists, and conducted 42 research studies on various investment and Waqf structures.

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, the team advised on legal frameworks and operational set-ups for our advisory mandates, and provided guidance on exit structures for private equity funds. The team also developed an improved internal fund monitoring program, streamlined our fund documentations in line with the new fund regulations, enhanced our account opening documentation with regards to risk classification, KYC, and FATCA/CRS forms, and managed all CMA report submissions, continuous fund obligations, and required registrations.

Risk Management

In risk management, our team updated the corporate risk profile, continued to monitor pre-defined risk limits, initiated monitoring automation through its recently developed risk dashboard, and tested 53 leading key risk indicators (KRIs) that cover all departments. In addition, the team conducted risk reviews for multiple counterparties (including custodians and brokers), completed risk reviews for Saudi REIT Fund and private equity post-acquisition management, and conducted DRC testing for 22 critical processes. Finally, the team completed and submitted the Internal Capital Adequacy Assessment Program (ICAAP) annual report to the CMA, providing an assessment of the firm's capital adequacy for Pillar 2 risks and a stress-test analysis of our revenues and investments.

Investment Operations

Investment Operations 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 prepared all fund financial statements as per IFRS format, processed all money transfers, subscriptions, and redemptions, coordinated the initial public offering of Jadwa REIT Saudi Fund, and processed all REIT refunds. The team also worked jointly with our technology team to implement B2B online client money transfers, and to develop an automated and streamlined process for managing our REIT offerings, online account opening, and VAT implementation across funds.

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 achieved ISO 27001 certification for information security, a widely recognized international standard that provides a framework for best practices in managing, implementing, and maintaining information security to protect data confidentiality, integrity, and availability. As a result, Jadwa today is the first standalone investment management firm to receive this certification in Saudi Arabia.

The team also completed the B2B automation of client transfer requests; completed an Advent system upgrade; implemented a real-time monitor-and-alert solution for all network equipment; launched a monthly information security report that provides regular updates on security trends; launched the Jadwa REIT Saudi Fund website and the REIT subscription website to allow for an automated and streamlined subscription process; implemented VAT reporting and invoicing systems; completed the G10 network migration, and upgraded the central authentication and authorization system and the internal self-service and e-mail archiving 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. This included fulfilling a total of 2,357 requests during the year via our automated workflow system, completing the renovation and re-purposing of our second floor office space, and managing and facilitating our annual corporate events calendar.

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 have initiated the automation of our annual performance review process and upgraded several HR policies and procedures that relate to recruiting, professional development, performance management, retention, and career/succession planning during 2018.

On the training and development front, our human resources team organized in-house training programs on a number of topics, including Advanced Financial Modeling, International Financial Reporting Standards, financial crimes, and anti-money laundering regulations. Additionally, a number of team members attended various external training and executive education programs at leading academic institutions. In total, 39 team members enrolled in internal and external training for an aggregate of 1,118 training hours during 2018.

Corporate Communications

Throughout another eventful calendar year, Jadwa maintained its proactive and strategic approach to corporate communications and public relations. This manifested itself across media relations, event participations, and broad stakeholder engagement activities. Indeed, 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 1,800 mentions of Jadwa's activities and opinions across a wide range of local and international media, including Arab News, Al Arabiyah, Al Eqtisadiah, Al Hayat, Al Jazirah, Al Riyadh, Al Sharq Al Awsat, Al Yawm, Arab News, Argaam, Bloomberg, CNBC Arabia, Maal, Okaz, and Reuters. We also sponsored and participated in a number of events, including participating in a CMA-sponsored podcast interview on investment management and giving a lecture on institutional investment best practices.

Corporate Social Responsibility

Corporate social responsibility continued to feature significantly within Jadwa's operating culture over the past twelve months. In fact, 2018 saw the launch of the Jadwa Impact Program (JIP), a series of team-based activities that aim to engage team members collectively and broaden the firm's social impact and contribution to the wider community.

The JIP program conducted three initiatives during 2018. The first was a visit to Syrian refugees in Jordan, where participating team members provided various forms of support to refugee families in collaboration with Care International. The second JIP initiative was an environmental clean-up of The Edge of the World, a popular desert site for tourists outside Riyadh. And the third JIP initiative was a winter clothing drive for families in need in and around Riyadh, in collaboration with Ehtiwa. Beyond the firm's and team members' financial contributions, a total of 45 team members and family members volunteered their own time and effort to these three initiatives.

Jadwa's corporate social responsibility efforts also included the continuation of our 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 23 interns – 9 men and 14 women – were selected to participate in the program across different departments during 2018.

Global Environmental Management Services

One of Jadwa's private equity investments in waste management

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 completed the construction of 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.

Al Hammadi was listed 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, and trading services 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 Saudi Arabia. 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, The United States, Europe, and the MENA region.

Fund: Jadwa Refining Opportunities Fund
Sector: Petrochemical Re-refining
Acquisition Stake: 37 percent
Status: Invested
Website: www.innovarefining.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 focuses on attractive specialization segments across the GCC. 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
Acquisition Stake: 70 percent
Status: Invested
Website: www.almuhaidebdental.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 more than 40 dental clinics and numerous dental laboratories with over 300 dental chairs spread across 5 cities in the Kingdom.

Our Real Estate Investments

Fund: Jadwa UK Special Opportunities Fund
Sector: Multiple
Strategy: Income generating
Status: Partially exited

The fund was launched for the purpose of acquiring four income-generating properties across the residential, office, and retail sectors within the United Kingdom.

Fund: South Bank Tower
Sector: Multiple
Strategy: Development
Status: Exited

South Bank Tower was a real estate investment vehicle with the sole strategy of refurbishing and reconfiguring a 1970's office and retail center in London. The building was re-configured to enhance the overall leasable/saleable area by almost 80%. The reconfiguration of the original asset included 191 residential apartments whilst simultaneously maintaining the same amount of both office and retail space. A sale of the office and retail element was completed at the end of 2015 and the apartments were sold between 2012-2018.

Fund: Al Argan Saudi Residential Development Fund
Sector: Residential
Strategy: Development
Status: Partially exited

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.

Fund: Jadwa Al Azizia Real Estate Investment Fund
Sector: Hospitality
Strategy: Development
Status: Invested

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.

Fund: Jadwa Al Basateen Real Estate Investment Fund
Sector: Residential
Strategy: Development
Status: Invested

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.

Fund: Jadwa REIT Al Haramain Fund
Sector: Multiple
Strategy: Income generating REIT
Status: Publicly listed

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 700 million bank facility to finance the REIT's growth plans, and has completed three accretive acquisitions in Makkah for a total value of SAR 183 million.

Fund: Jadwa REIT Saudi Fund
Sector: Multiple
Strategy: Income generating REIT
Status: Publicly listed

Listed in February 2018, Jadwa REIT Saudi Fund aims to invest in a diversified manner across major cities in Saudi Arabia, with an initial equity size of SAR 1.58 billion (the largest at the time of offering). The initial portfolio consists of a pool of five core and core plus properties in the major cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. With this listing, Jadwa today is the first investment manager to launch two REIT funds and the largest REIT manager in Saudi Arabia with over SAR 2.3 billion in REIT AUMs. Subsequent to listing, we have obtained a SAR 1 billion debt facility from Banque Saudi Fransi for the purpose of financing the fund's acquisition plans.

The Saudi Economy in 2019: Trends to Watch

Marvela Residence

A property of Jadwa Saudi REIT Fund

The Saudi Economy in 2019: Trends to Watch

The year ahead will be marked by a continued improvement in the health and direction of the Saudi economy. During 2019, we expect to see a consolidation of efforts in striving towards the goals of the Vision 2030 (Vision), as well as the targets set under the National Transformation Program (NTP). This effort will be aided by the largest ever budgeted expenditure, for the second successive year, of SR1.1 trillion, which not only includes a 20 percent yearly rise in capital expenditure, but also a number of targeted support measures.

Whilst economic reform is still currently under way, latest full year GDP data for 2018 shows that the economy was able to absorb most of the disruptive effects of necessary economic reform enacted last year. Looking ahead, as comparably limited major reform is scheduled to take place during 2019, this should clear the way for a pick-up in momentum for the Saudi economy. Overall, whilst the oil sector's output will be partially trimmed by Saudi Arabia's commitment to the OPEC and partners (OPEC+) agreement, we do see the non-oil sector exhibiting marginally higher year-on-year growth.

We anticipate that the Saudi economy will grow by 2 percent in 2019, following 2018's growth of 2.2 percent and 2017's contraction of 0.7 percent. The mild decline in yearly growth in 2019 will be entirely due to lower oil sector GDP, as the Kingdom complies with the OPEC+ production agreement. Meanwhile, the non-oil sector will continue to benefit from an expansionary fiscal policy. Aside from a 20 percent rise in capital expenditure, a distinct set of targeted measures will help maintain some level of growth in domestic consumption.

Global economic developments, especially so with regards to the US-Chinese trade dispute, plus the potential for lower oil prices, stand out as the main exogenous risks to our forecast for the Saudi economy. In addition, uncertainty still remains with respect to global financing conditions, especially in relation to market expectations of future US interest rate hikes. Lastly, on the domestic front, we see continued rises in both the expat levies, and the potentially negative effect on aggregate demand, as being the most prominent risk to the Saudi economy during the year.

Record budget supports reform programs

In line with the preliminary budget outlined in September 2018, the fiscal budget showed that the Kingdom is budgeting for record expenditure at SR1.1 trillion in 2019. As has been the theme in recent budgets, part of the 2019 budget will be channeled towards Vision 2030 programs that directly contribute to economic growth and job opportunities for citizens. At the same time, the most economically vulnerable households will continue to benefit directly from necessary support under initiatives such as the Citizen's Account, but also indirectly through spending on educational, healthcare and social infrastructure.

Meanwhile, efforts to raise non-oil revenue will continue into 2019. Accordingly, the government has budgeted for non-oil revenue to reach SR313 billion, or 9 percent higher than last year's total. Rises in non-oil revenue will come mainly from taxes on goods and services, specifically from expat levies and some increases related to VAT. Budgeted government oil revenue is also expected to rise by 9 percent year-on-year, to SR662 billion, putting total revenue at SR975 billion. Due to higher projected expenditure than revenue, the government is budgeting for a deficit of SR131 billion, slightly lower than our estimate of SR168 billion, or 5.5 percent of forecasted GDP, in 2019.

Industry recognition of excellence

MQ1 RATING

BEST SAUDI EQUITY FUND

BEST GCC EQUITY FUND

BEST ISLAMIC INVESTMENT BANK

CERTIFICATION OF ISO 27001

BEST ASSET MANAGER SAUDI ARABIA

BEST ASSET MANAGER MIDDLE EAST

Robust growth in non-oil mining and ownership of dwellings

While the oil sector, accounting for the largest share of the economy at 44 percent in real terms, is expected to exhibit slower year-on-year growth of 1.6 percent, top performing non-oil sectors should see robust growth in 2019. We see the 'finance, insurance, and business services', and 'non-oil manufacturing' as the stand-out sectors during the year. Aside from rises in credit to the private sector, growth in the 'finance, insurance, and business services' will be aided through the inclusion of the Tadawul All Share Index (TASI) into both the MSCI and FTSE EM indices. Additionally, growth will be supported through efforts to attain targets outlined under the Financial Sector Development Program (FSDP). 'Non-oil manufacturing' growth, on the other hand, will be facilitated by the recently launched National Industrial Development and Logistic Program (NIDLP). More specifically, NIDLP, which seeks to attract SR1.6 trillion ($427 billion) of investments into manufacturing, mining, energy and logistics, will see SR100 billion being spent in 2019, and 2020, in order to kick-start the program. Lastly, the combination of numerous projects signed by the King in a recent regional trip, together with notable progress in various Public Investment Fund (PIF) giga-projects, will help bring about positive growth in the construction sector for the first time in four years.

OPEC+ agreement and US-China trade talks are major oil price determinants

We expect 2019 to be a fraught year for oil markets, as a number of developments have the potential to derail forecasted oil demand growth and add to already volatile and uneven output. Current OPEC forecasts point to modest oil demand growth in 2019, at 1.29 million barrels per day (mbpd), down 14 percent year-on-year, and the lowest rate of growth since 2013. Additionally, further risks to oil demand related to an on-going trade dispute between US and China. Whilst a recent pause in mutual tariff increases has been welcomed by markets, a continued deadlock in negotiations, or deterioration, could end up further denting oil demand growth.
On the supply side, OPEC+ recently agreed to reduce oil production by 1.2 mbpd for an initial six months of 2019. Data from January 2019 indicates strong compliance to the agreement, with Saudi Arabia playing a major role in the efforts to moderate output. Not only do we expect continued compliance to the agreement throughout H1 2019, we also expect a roll-over in the agreement into the second half of 2019 as well. Meanwhile, oil markets are expected to be further tightened by the US's decision to decline any further waivers for countries importing oil from Iran, after the current waivers expire in May. Overall, our expectation is that oil prices in 2019 will be supported by fairly balanced oil markets as a result of waivers expiring and/or because of an expected roll-over of the OPEC+ agreement. Additionally, any long-term resolution between the US and China could provide a boon for oil prices, although record growth in US shale oil output will provide a cap on oil prices.

Sharia Supervisory Board Annual Statement

Jadwa Sidqi Tower

A property of Jadwa Al Azizia Real Estate Investment Fund

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 2018

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 للإستثمار
Jadwa Investment

In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD

(Annual Shariah Statement for the Year 2018)

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 2018, 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.

Board Members

Dr. Abdullah Al Mutlaq
Chairman

Dr. Mohammad Elgari
Member

Bader Abdulaziz Alomar
Member

Dr. Ahmad Abdulrahman Algaidy
Secretary & Member

Corporate Governance

Al Marefa University

A property of Jadwa Saudi REIT Fund

Corporate Governance

Jadwa Investment has adopted corporate governance principles that are in line with international standards and in harmony with the issued related 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:	Compliant	Remarks
1	**The Board has to issue an Annual Report that includes:**		
1.1	Description of all main activities of the Authorized Person.	✓	Compliant
1.2	Composition of the board of directors and the classification of its members as follows: Executive Board Member – Non Executive Board Member – Independent Board Member.	✓	Compliant
1.3	List of companies inside and outside the Kingdom of which the board member of the Authorized Person is a member of its board of directors or of its directors.	✓	Compliant
1.4	Name of each subsidiary of the authorized person and its capital percentage of ownership of the authorized person and its main activity and the main country of its operations and the country of establishment.		None
1.5	Description of the plans and decisions of the Authorized Person (including structural changes, expansion of business, suspension of operations) and future prospects for its business.	✓	Compliant
1.6	The number of meetings of the Board of Directors held during the last financial year, and the dates of the meetings and record the attendance of each meeting listing the names of the attendees	✓	Compliant
1.7	A brief description of the competences of the committees and their functions. mentioning the names of these committees, their chairman's and their members, the number of their meetings and the dates of their meetings.	✓	Compliant
1.8	Disclosure of remuneration and compensation paid to directors and five senior executives who received the highest compensation and compensation in addition to the Chief Executive Officer and the Financial Manager, if not included, according to the attached table.	✓	Compliant
1.9	A statement of any arrangement or agreement where a board member of an Authorized Person or a senior executive waives any compensation and indemnities.		None
1.10	Any penalty or precautionary measure or reserve restriction imposed on the Authorized Person by the CMA or any supervisory, regulatory or judicial body. Stating the imposer, the reasons for the violation and the means of treatment and avoidance in the future.	✓	The CMA imposed five violations on Jadwa Investment as follows: • An imposed fine of (40.000) forty thousand Saudi Riyal for violating item (3) of article twenty two of AML/CFT rules. • A written notice for violating article five of AML regulations and article sixty three of CFT regulations. • A written notice for violating item (6) of article seven of the AML executive regulations • A written notice for violating item (5) of article eight of AML executive regulations • A written notice for violating item (3) of article fifteen of AML executive regulations A corrective plan has been implemented rectifying all violations.
1.11	The results of the annual audit report of the regulatory policies and procedures of the Authorized Person, in addition to the opinion of the audit committee on the adequacy of the internal audit system.	✓	Compliant
1.12	Information concerning any risks faced by the authorized person (whether operational risk, financing risk or market risk) and its risk management and control policy.	✓	Compliant
1.13	If the auditor's report contains reservations to the annual financial statements, the annual report shall include the reservations, their reasons and any related information.		None
1.14	A table or chart showing the assets, liabilities and business results of the Authorized Person in the last five fiscal years.	✓	Compliant
1.15	Describe any significant differences in operating results from the results of the previous financial year or any projections made by the authorized person.	✓	Compliant
1.16	A description of any interest, contractual securities and subscription rights belonging to the board members of the Authorized Person, senior executives, and their relatives in the shares or instruments of the Authorized person or any of its subsidiaries and any change in such interest in those securities or rights during the last fiscal year.		None
1.17	Any loans to the Authorized Person (whether it was payable on demand or otherwise), and disclosed the total indebtedness of the Authorized Person and its subsidiaries, any payments made in repayment of the loans during the financial year, the amount of the principal of the loan, the name and duration of the loan and the amount remaining. In case there are no loans, the Authorized Person must submit a declaration.	✓	Compliant
1.18	Description of any deal entered into between the Company and a related person		None
1.19	Any business or contract to which the Authorized Person is a party or which has the interest of a board member or a senior executive or any person related to any of them, including the names of the persons involved in the business or contracts and the nature of such works and contracts. In the absence of such acts or contracts, the Authorized Person must submit a declaration.	✓	Compliant

Board of Directors[1] membership in other companies

	Name	Classification	Membership in other companies
1	Mr. Adib Al Zamil	• Non-Independent • Non-Executive	• Fajr Capital Ltd. Dubai – Chairman of the Board of Directors • SANABIL Investment (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 Investment Company (Listed Company) – Member of the Board of Directors
2	Mr. Abdulaziz Al Subeaei	• Non-Independent • Non-Executive	• 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	• Non-Independent • Non-Executive	• 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 • Projek Lebuhraya Usahasama Berhad – Chairman of the Board of Directors • PLUS Malaysia Berhad – Chairman of the Board of Directors • PT Lintas Marga Sedaya – Member of the Board of Directors • UEM Group Berhad – Chairman of the Board of Directors • UEM Edgenta Berhad – Director • UEM Sunrise Berhad – Director • Yayasan UEM – Chairman of the Board of Directors
4	Mr. Iqbal Khan	• Independent • Non-Executive	• 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 • Syarikat Takaful Brunei Darussalam – Member of the Board of Directors
5	Mr. Khalid Mohammed Al Khowaiter	• Independent • Non-Executive	• Anwar Altareq Rentals - Member of the Board of Directors • Zahwa Rentals - Member of Board of Directors • Java Time- Member of the Board of Directors
6	Mr. Howard Marks	• Independent • Non-Executive	• Oaktree Capital Management, L.P., USA – Chairman of the Board of Directors • Sies Marjan – Member of the Board of Directors
7	Mr. Christopher Masterson	• Independent • Non-Executive	• 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
8	Mr. Michael Powell	• Independent • Non-Executive	• 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 • Veridium UK – Director
9	Mr. Abdulrahman Al Rowaita	• Non-Independent • Non-Executive	• AlEssa Industries 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
10	Mr. Tariq Al Sudairy	• Non-Independent • Executive	• 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

BOARD MEETINGS AND ATTENDEES

The Board held four meetings in 2018:

Name	Board Meeting No (38) 03/04/2018	Board Meeting No (39) 29/05/2018	Board Meeting No (40) 23/10/2018	Board Meeting No (41) 12/12/2018
Mr. Adib Al Zamil	✓	✓	✓	✓
Mr. Abdulaziz Al Subeaei	✓	✓	×	✓
Dato' Noorazman	×	✓	×	✓
Mr. Iqbal Khan	×	✓	×	✓
Mr. Khalid Al Khowaiter			✓	✓
Mr. Howard Marks	×	×	×	×
Mr. Christopher Masterson	✓	✓	✓	✓
Mr. Michael Powell	✓	✓	✓	✓
Mr. Abdulrahman Al Rowaita	✓	×	✓	✓
Mr. Tariq Al Sudairy	✓	✓	✓	✓

Board of Directors' Committees

1. EXECUTIVE COMMITTEE:

The committee held one meeting in 2018:

	Name	Classification	Meeting No (42) 14/03/2018
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 board decided to cancel the committee starting from second quarter of 2018

2. INVESTMENT COMMITTEE:

The committee held three meetings in 2018:

Name	Classification	Meeting No(43) 2018/05/28	Meeting No(44) 2018/10/18	Meeting No(45) 2018/11/28
Mr. Michael Powell	Chairman	✓	✓	✓
Mr. Mazen Al Jubair	Member	✓	✓	✓
Mr. Tariq Al Sudairy	Member	✓	✓	✓
Mr. Naif Abuhaimed	Secretary			

The Investment Committee ensures that the investments 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 membership of the committee was amended in the second quarter.

3. AUDIT & RISK COMMITTEE

The committee held four meetings in 2018:

Name	Classification	Meeting No(47) 2018/03/20	Meeting No(48) 2018/05/22	Meeting No(49) 2018/10/14	Meeting No(50) 2018/12/04
Mr. Abdulrahman Al Rowaita	Chairman	×	✓	✓	✓
Dr. Saud Al-Nemer	Member	✓	✓	✓	✓
Mr. Nasser Al-Qahtani	Member	✓	✓	×	✓
Mr. Rami Al Sheddi	Secretary				

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

4. REMUNERATION AND NOMINATION COMMITTEE

The committee held four meetings in 2018.

Name	Classification	Meeting No(38) 12/03/2018	Meeting No(39) 13/05/2018	Meeting No(40) 02/10/2018	Meeting No(41) 27/11/2018
Ms. Ann Almeida	Chairperson	✓	✓	✓	✓
Mr. Abdulaziz Al Subeaei	Member	✓	✓	✓	×
Mr. Iqbal Khan	Member		✓	×	✓
Mr. Tariq Al Sudairy	Member	✓	✓	✓	✓
Mr. Naif Al Mutairi	Secretary				

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.

5. COMPLIANCE COMMITTEE

The committee held four meetings in 2018:

Name	Classification	Meeting No(34) 12/03/2018	Meeting No(35) 13/05/2018	Meeting No(36) 03/10/2018	Meeting No(37) 21/11/2018
Mr. Abdulaziz Al Subeaei	Chairman	✓	✓	✓	✓
Mr.Tariq Al Sudairy	Member	✓	✓	✓	✓
Mr. Mohammed Al Obaid	Member	✓	✓	✓	✓
Mr. Rami Al Sheddi	Member	✓	✓	✓	×
Mr. Anas Al Sheikh	Member	✓	✓	✓	✓
Ms. Ghada Al Wabil	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.

Board & Executive Remuneration for the Year 2018

Statement	Executive Board Members	Non-Executive/ Independent Board Members	Five senior executives who received the highest remuneration compensation, in addition to the CEO and CFO if they are not among them
Salaries and wages	None	None	6,891,073
Allowances	9,000	103,000	3,463,803
Annual and periodic bonuses	None	1,800,000	5,403,667
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
Commissions	None	None	None
Any other compensation or benefits paid on a monthly or annually 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.

The audit and risks committee is an independent committee directly related to the board of directors, which mainly reviews the financial statements and accounting policies, supervises the works of the internal audit and the external auditors. The committee held four meetings during the fiscal year 2018.

Based on the periodical reports submitted to the committee in 2018 by the Internal audit department , Risk Management and external auditors. The committee believes that the financial and operational controls are sound and adequate, and there are no regulatory gaps or a material weakness in the company's business during the fiscal year 2018, that may affect the soundness and equity of the financial statements of the company. It worth mentioning that, any internal control system - regardless of its design compatibility and application effectiveness – can't provide absolute assurance.

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. Risk policies and procedures provide a way to identify the risks and tolerance limits to monitor and process the management of breaches.

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 and aging analysis for receivables. 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

Market risk consists of the following- commission rate risk, foreign exchange risk and equity price risk. 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 CONTIGENCY 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 INFORMATION SECURITY RISK

To protect the information entrusted by clients, strategic information, financial and the company related information, the team has adopted higher level IT security governance standards by securing ISO 27001 certification and supporting all departments to comply with IT related regulatory requirements. In addition to performing round the clock external penetration testing for online services, awareness to employees and having a next generation firewall and intrusion prevention system, which keeps us ahead in information security risk protection.

4.3 BUSINESS CONTINUITY MANAGEMENT (BCM)

Jadwa is committed to protecting its team members and ensuring its critical business functions and infrastructure capbilities 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 that include the impact of the adoption of IFRS standards as per CMA directives are provided under note 4 & 27 of the financial statement)

Significant Differences in Operating Results

There is no major difference in operating result as compared to previous financial statements except for the fact that we are following IFRS for our 2018 financial statements due to which we are including unrealized loss on investments in income statement which results in significant decrease in our reported net income from previous years.

Assets, Liabilities and Business Results of Jadwa Investment in the Last Five Fiscal years

SAR in million	2018	2017	2016	2015	2014
Total Assets	1,612	2,130	2,064	2,144	1,851
Total Liabilities	238	404	394	385	333
Total Operating Income	(20)	258	290	248	358
Net Profit	(153)	83	110	94	142

Loans to Jadwa Investments

Bank Name	Amount (in millions)	Remaining amount	Duration	Total indebteness
SABB	238.4	Fully repaid during 2018	3 years	Nil
Alinma Bank	45	Fully repaid during 2018	5 years	Nil

The Board Acknowledgment

The Board of Directors declares that there are no contracts or businesses during the financial year 2018, to which Jadwa is a party, and where there is an interest for a member of the Board of Directors, Chief Executive Officer, senior executives or any person related to any of them.

Financial Statements
& Independent Auditor's Report

Al Fanar Complex

A property of Jadwa Saudi REIT Fund

Implications of the transition from Saudi reporting standards (SOCPA) to International Financial Reporting Standards (IFRS)

2018 was a year in which Jadwa – in line with CMA regulations – was required to transition from Saudi reporting standards (SOCPA) to International Financial Reporting Standards (IFRS), which resulted in a significant change in our financial statements. The new reporting standards now require net changes in unrealized gains and losses in any given year to be reported in the income statement. Of course, this new accounting standard simply changes the structure of our financial reporting and has no implications for Jadwa's business fundamentals and financial health. Nonetheless, given that Jadwa holds over SAR 1.2 billion of investments on its balance sheet, we expect the implementation of IFRS to produce significant volatility in our reported net income figure going forward. Indeed, during 2018, the cumulative balance of our unrealized gains declined from SAR 393.83 million to SAR 103.64 million based on our latest asset valuations. As a result, we have had to record the difference of SAR 290.19 million as an unrealized capital loss against our profitability for the year.

Another notable implication of our transition to IFRS is that our balance sheet opening balances for 2018 had to be adjusted on a one-time basis. Specifically, our accumulated unrealized gains to date had to be transferred from our fair value reserve to our retained earnings without passing through the income statement, thereby becoming part of the cost base of our investments. As a result, our accumulated balance of unrealized gains to date, which did not appear in our previous income statements under SOCPA, will no longer appear on Jadwa's future income statements upon realization under IFRS.

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Independent Auditors' Report

To the Shareholders of Jadwa Investment Company

Opinion

We have audited the consolidated financial statements of **Jadwa Investment Company** ("the Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated statement of profit or loss and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditors' Report

To the Shareholders of Jadwa Investment Company (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Jadwa Investment Company ("the Company") and its subsidiary (collectively referred to as the "Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

Al Riyadh: 21 Rajab 1440H
Corresponding to: 28 March 2019

KPMG Certified Public Accountants KPMG Al Fozan & Partners

Consolidated statement of financial position at December 31st, 2018

	Notes	31 December 2018	31 December 2017 Restated	1 January 2017 Restated
ASSETS			SR	
Property and equipment, net	5	**3,511,639**	4,854,547	4,808,355
Intangibles, net	6	**281,450**	211,403	499,033
Equity-accounted investee	7	**250,273,122**	286,056,263	213,885,918
Investments	9	**958,144,716**	1,123,583,040	1,029,492,893
Deferred tax assets	18	**5,187,405**	--	--
Non-current assets		**1,217,398,332**	1,414,705,253	1,248,686,199
Account receivables, net	8	**244,231,098**	315,772,742	187,290,234
Investments	9	**--**	131,088,388	418,417,055
Prepaid expenses and other current assets	10	**7,074,569**	8,214,768	5,896,900
Cash and cash equivalents	11	**140,332,977**	260,216,878	204,002,766
Current assets		**391,638,644**	715,292,776	815,606,955
TOTAL ASSETS		**1,609,036,976**	2,129,998,029	2,064,293,154
EQUITY AND LIABILITIES				
Share capital	13	**852,735,000**	852,735,000	852,735,000
Statutory reserve	13	**255,820,500**	325,462,754	325,462,754
Fair value reserve		**--**	393,642,830	326,261,173
Retained earnings		**265,759,367**	55,386,528	83,724,827
Total equity		**1,374,314,867**	1,627,227,112	1,588,183,754
Liabilities				
Bank borrowings	14	**--**	--	44,999,325
Defined benefit obligation	15	**20,376,965**	17,207,398	14,365,356
Deferred tax liabilities	18	**--**	174,141	683,803
Share-based payment obligation	16	**33,534,094**	50,497,811	31,561,448
Non-current liabilities		**53,911,059**	67,879,350	91,609,932
Bank borrowings	14	**--**	290,240,821	242,317,091
Other payables and accruals	17	**72,319,317**	134,831,631	129,444,230
Zakat and income tax provision	18	**27,171,338**	9,819,115	12,738,147
Subsidiary's equity obligations		**81,320,395**	--	--
Current liabilities		**180,811,050**	434,891,567	384,499,468
Total liabilities		**234,722,109**	502,770,917	476,109,400
TOTAL EQUITY AND LIABILITIES		**1,609,036,976**	2,129,998,029	2,064,293,154

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

Consolidated statement of profit or loss for the year ended December 31st, 2018

	Notes	2018	2017 Restated
REVENUES		SR	
Asset management and subscription fees	21	**205,069,581**	208,850,615
Investment banking income	22	**1,646,375**	35,463,681
Brokerage fee income		**3,381,431**	3,561,551
Special commission income		**9,574,371**	1,786,014
Dividend income		**15,226,212**	7,573,957
Trading income, net		**304,757**	3,671,333
Re-measurement of fair value of investments, net	9-1	**(262,092,884)**	--
Realised gain / (loss) on non-trading income, net		**7,385,030**	(4,132,080)
		(19,505,127)	256,775,071
EXPENSES			
Salaries and employee related expenses	23	**(33,020,014)**	(134,818,048)
Depreciation and amortization expense	5 , 6	**(1,842,113)**	(1,981,476)
Rent and premises related expenses		**(4,665,830)**	(4,597,569)
Special commission expense on borrowings		**(3,688,845)**	(11,182,996)
Other general and administrative expenses	24	**(37,871,747)**	(35,547,781)
Re-measurement of loss allowance, net / provision for doubtful receivables	27	**4,505,510**	(1,562,500)
		(76,583,039)	(189,690,370)
TOTAL OPERATING (LOSS) / INCOME		**(96,088,166)**	67,084,701
Share in loss of equity-accounted investee	7	**(35,783,140)**	(1,593,264)
Other income		**610,991**	719,587
NON-OPERATING LOSS		**(35,172,149)**	(873,677)
NET (LOSS) / INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		**(131,260,315)**	66,211,024
Zakat and income tax	18	**(21,677,742)**	(9,471,415)
NET (LOSS) / INCOME FOR THE YEAR AFTER ZAKAT AND INCOME TAX		**(152,938,057)**	56,739,609
Loss attributable to subsidiary's equity obligation		**(27,506)**	--
NET (LOSS) / INCOME FOR THE YEAR		**(152,910,551)**	56,739,609

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

Consolidated statement of other comprehensive income for the year ended December 31st, 2018

	Notes	2018	2017
		SR	
NET (LOSS) / INCOME FOR THE YEAR		**(152,910,551)**	56,739,609
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Share in other comprehensive income of equity-accounted investee		--	73,763,609
Net loss on fair value of available-for- sale investments		--	(6,381,952)
Related tax	18	--	131,596
Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on defined benefit obligation	15	**(746,354)**	63,996
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(746,354)**	67,577,249
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(153,656,905)**	124,316,858

Consolidated statement of changes in equity for the year ended December 31st, 2018

	Notes	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
				SR		
Restated balance as at 1 January 2018		**852,735,000**	**325,462,754**	**393,642,830**	**55,386,528**	**1,627,227,112**
Impact of adopting IFRS 9 as at 1 January 2018	3	**--**	**--**	**(393,642,830)**	**379,660,990**	**(13,981,840)**
Restated balance as at 1 January 2018		**852,735,000**	**325,462,754**	**--**	**435,047,518**	**1,613,245,272**
Net loss for the year		**--**	**--**	**--**	**(152,910,551)**	**(152,910,551)**
Other comprehensive loss		**--**	**--**	**--**	**(746,354)**	**(746,354)**
Transfer from statutory reserve	13	**--**	**(69,642,254)**	**--**	**69,642,254**	**--**
Dividend	13	**--**	**--**	**--**	**(85,273,500)**	**(85,273,500)**
Balance as at 31 December 2018		**852,735,000**	**255,820,500**	**--**	**265,759,367**	**1,374,314,867**
Balance as at 1 January 2017		852,735,000	325,462,754	326,261,173	166,007,107	1,670,466,034
Impact of IFRS transition and other adjustments	4	--	--	--	(82,282,280)	(82,282,280)
Restated balance as at 1 January 2017		852,735,000	325,462,754	326,261,173	83,724,827	1,588,183,754
Net income for the year (Restated)		--	--	--	56,739,609	56,739,609
Other comprehensive income		--	--	67,381,657	195,592	67,577,249
Dividend	13	--	--	--	(85,273,500)	(85,273,500)
Restated Balance as at 31 December 2017		852,735,000	325,462,754	393,642,830	55,386,528	1,627,227,112

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

Consolidated statement of cashflows for the year ended December 31st, 2018

	Notes	2018	2017
OPERATING ACTIVITIES		SR	
Net (loss) / income for the year before Zakat and income tax		**(131,260,315)**	66,211,024
Adjustments for:			
Share in net loss of equity-accounted investee	7	**35,783,140**	1,593,264
Depreciation and amortization	5, 6	**1,842,113**	1,981,476
Defined benefit obligation expense	15	**3,786,383**	3,555,138
Re-measurement of loss allowance, net / provision for doubtful receivables	27	**(4,505,510)**	1,562,500
Share-based payment expense	23	**3,540,656**	22,733,553
Realised (gain) / loss on non-trading income, net		**(7,385,030)**	4,132,080
Gain on held for trading investments, net		**(304,757)**	(3,671,333)
Re-measurement of fair value of investments, net		**262,092,884**	--
Special commission income		**(9,574,371)**	(1,786,014)
Changes in operating assets and liabilities:			
Account receivables		**65,545,696**	(130,045,008)
Prepaid expenses and other current assets		**(536,146)**	(2,033,845)
Other payables and accruals		**(62,849,386)**	5,387,401
Cash generated from / (used in) operating activities		**156,175,357**	(30,379,764)
Commission received		**9,569,756**	1,786,014
Defined benefit obligation paid		**(1,363,170)**	(649,100)
Share-based payments		**(20,504,373)**	(3,797,190)
Zakat and income tax paid	18	**(8,010,720)**	(13,052,536)
Net cash generated from / (used in) operating activities		**135,866,850**	(46,092,576)
INVESTING ACTIVITIES			
Purchase of property and equipment and intangibles		**(569,254)**	(1,740,038)
Acquisitions of available-for-sale investments		**--**	(131,374,982)
Proceeds from sale of available-for-sale investments		**--**	26,770,803
Acquisitions of investments at fair value through profit or loss		**(241,449,259)**	--
Proceeds from sale of investments at fair value through profit or loss / held for trading investments		**455,484,688**	291,000,000
Net cash generated from investing activities		**213,466,175**	184,655,783
FINANCING ACTIVITIES			
Subsidiary's equity obligation		**(94,068,709)**	--
Proceeds from bank facilities		**--**	241,890,874
Repayment of bank facilities		**(290,240,821)**	(238,966,469)
Dividend paid		**(85,273,500)**	(85,273,500)
Net cash used in financing activities		**(469,583,030)**	(82,349,095)
Net (decrease) / increase in cash and cash equivalents		**(120,250,005)**	56,214,112
Cash and cash equivalents at beginning of the year		**260,216,878**	204,002,766
Cash acquired from acquisition of subsidiary	29	**366,104**	--
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	**140,332,977**	260,216,878

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

Notes to the consolidated financial statements for the year ended December 31st, 2018

1. ORGANIZATION AND ACTIVITIES

Jadwa Investment Company ("the Company") is a Saudi closed joint stock company established pursuant to 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 Company has investment in Jadwa Global Sukuk Fund which has been classified as subsidiary. These consolidated financial statements ("financial statements") as at December 31, 2018 comprise the financial statements of the Company and its subsidiary ("the Company / the Group"). The Subsidiary is a fixed income fund established and managed as per terms and conditions between Jadwa Investment Company and the fund investors. The financial statements of the subsidiary are prepared for the same reporting period as that of the Company, using consistent accounting policies.

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 PREPARATION

2.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by Saudi Organisation for Certified Public Accountants ("SOCPA").
For all years up to and including the year ended 31 December 2017, the Company prepared its financial statements in accordance with generally accepted accounting standards as issued by SOCPA ("Previous GAAP"). These financial statements are the first financial statements of the Company prepared in accordance with IFRS, and accordingly IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied. The date of transition to IFRS is 1 January 2017.

An explanation of how the transition to IFRS has affected the previously reported equity as at 31 December 2017 and 1 January 2017; and comprehensive income for the year ended 31 December, 2017, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2017 is provided in Notes 3 and 4.

2.2. Basis of measurement

The financial statements have been prepared on a going concern basis under historical cost convention except for the following items:
i. Financial assets classified as "at fair value through profit or loss" are measured at fair value;
ii. Investment in associate is accounted for using equity method;
iii. Defined benefit obligations are measured at present value of future obligations using the Projected Unit Credit Method; and
iv. Liabilities for cash-settled share-based payment arrangement are measured at fair value of the Company's shares using pricing model.

2.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the functional and presentational currency of the Company. All amounts have been rounded to the nearest Saudi Riyal.

2.4. Use of judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 any future periods affected.

Significant areas where management has used judgments, estimates and assumptions are as follows:
- Measurement of expected credit loss allowance (Note 2.4.1)
- Fair value measurement (Note 2.4.2)
- Defined benefits obligations – employees' end of service benefits (Note 3.11)
- Liabilities for cash-settled share-based payment arrangements (Note 3.11)

2.4.1 Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance ("ECL") for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Explanation of the input, assumptions and estimation techniques used in measuring ECL on account receivables are further detailed in note 27.1.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:
i) Determining criteria for significant increase in credit risk;
ii) Choosing appropriate models and assumptions for the measurement of ECL;
iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

2.4.2 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best

interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the consolidated financial statements for the year ended December 31st, 2018

At each financial reporting date, the management of the Company analyzes the movements in the values of assets which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management of the Company verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management of the Company also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are set out below:

3.1. New standards or amendments issued not yet effective and not early adopted by the Company

The Company has chosen not to early adopt the following new standards which have been issued but not yet effective.

Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2019:

1) IFRS 16 – "Leases", applicable for the period beginning on or after 1 January 2019. The new standard eliminates the current dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 proposes on-balance sheet accounting model. The impact is not considered to be material to the Company.
The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as 1 January 2019, with no restatement of comparative information.

2) Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, applicable for the period beginning on or after 1 January 2019. The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period. The impact is not considered to be material to the Company.

3) The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

• IFRIC 23 Uncertainty over Tax Treatments
• Prepayment features with Negative Compensation (Amendment to IFRS 9)
• Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)
• Annual improvements to IFRS Standards 2015-2017 Cycle – various standards
• Amendments to References to Conceptual Framework in IFRS Standards
• IFRS 17 Insurance contracts

3.2. Change in accounting policies

3.2.1. Adoption of new standards

The Company has adopted the following accounting standards and the impact of the adoption of these standards is explained below:

3.2.2. Adoption of IFRS 9 – Financial instruments

The Company has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018.

Policy applicable from 1 January 2018

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the consolidated statement of profit or loss.

Classification and measurement of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, FVOCI or FVTPL.

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and commission on the principal amount outstanding.

Financial asset at fair value through other comprehensive income (“FVOCI”)

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss (“FVTPL”)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measure at FVTPL.

Business model assessment

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and commission

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Commission / Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the

Notes to the consolidated financial statements for the year ended December 31st, 2018

Company considers:
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Classification of financial liabilities

The Company classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its reeivable balances carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of resources; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Loss allowance for account receivables are always measured at an amount equal to life time ECLs. Life time ECL are the ECLs that results from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

ECL are discounted at the effective interest rate of the financial asset.

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Details of measuring the expected credit loss allowance are provided in Note 27.1.

De-recognition

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

From 1 January 2018, any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Policy applicable before 1 January 2018

Initial recognition and measurement

Investments held for trading are recognised initially at cost on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the investment. Upon initial recognition, attributable transaction costs are recognised in the consolidated statement of profit or loss when incurred.

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 consolidated 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 consolidated statement of profit or loss for the period and are disclosed as gains / (losses) in proprietary income.

All non-derivative financial liabilities are recognised initially at fair value less any directly attributable transaction costs.

Classification and measurement of financial assets

The Company classifies its financial assets in the following categories:
- Held for trading,
- loans and receivables, and
- available-for-sale investments.

The classification depends on the purpose for which the investments were acquired and is determined at the time of initial classification. Following initial recognition, subsequent transfers between the various categories of investments are not ordinarily permissible.

Held for trading

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 consolidated statement of profit or loss in the period in which it arises and is disclosed as "proprietary income".

Loan and receivables

Account receivables are amounts due from customers for services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Available-for-sale investments ("AFS")

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.

Financial liabilities

The Company classifies its financial liabilities at amortised cost and initially recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

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 consolidated statement of profit or loss. 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 consolidated statement of profit or loss, is transferred from the consolidated statement of changes in equity to the consolidated statement of profit or loss. Reversals in respect of equity instruments classified as AFS are not recognised in the consolidated statement of profit or loss.
Impairment is determined as follows:

a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the profit and loss;

b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;

c) For assets carried at 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.

De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is an enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.2.3. IFRS 7- Financial Instruments: Disclosures

To reflect the differences between IFRS 9 and previous GAAP, IFRS 7 Financial Instruments: Disclosures were updated and the Company has adopted it, together with IFRS 9, for year beginning 1 January 2018. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 27.1.

3.2.4. Exemptions applied

IFRS 1 'First-time Adoption of International Financial Reporting Standards' allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied this exemption for IFRS 9 whereby the Company has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of 1 January 2018. This resulted in adjustments to the amounts previously recognised in the financial statements as disclosed in Note 3.2 to these financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 were recognised in the opening retained earnings (1 January 2018) and other reserves of current period. Accordingly, the information presented in comparative periods reflects the requirements of SOCPA GAAP and therefore is not comparable to the information presented under the requirements of IFRS 9 for the year ended 31 December 2018.

Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to th.e current year only.

The assessment of business model has been made on the basis of facts and circumstances that existed at the date of transition.

I. Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

	Classification under previous GAAP	Classification under IFRS 9	Carrying amount under previous GAAP	Carrying amount under IFRS 9
		SR		
Financial assets				
Account receivables, net	Loans and receivables	Amortised cost	315,772,742	301,790,902
Other current assets	Loans and receivables	Amortised cost	1,554,245	1,554,245
Cash and cash equivalents	Loans and receivables	Amortised cost	260,216,878	260,216,878
Investments				
Equity securities	Available-for-sale	FVTPL	462,395	462,395
Mutual funds	Available-for-sale	FVTPL	1,123,120,645	1,123,120,645
	Held for trading	FVTPL	131,088,388	131,088,388
			1,832,215,293	1,818,233,453
Financial liabilities				
Bank borrowing	Amortised cost	Amortised cost	290,240,821	290,240,821
Other payables and accruals	Amortised cost	Amortised cost	131,660,511	131,660,511
			421,901,332	421,901,332

Notes to the consolidated financial statements for the year ended December 31st, 2018

II. Reconciliation of carrying amounts under previous GAAP to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under previous GAAP to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	Previous GAAP carrying amount as at 31 December 2017	Reclassification	Re-measurement	IFRS 9 carrying amount as at 1 January 2018
		SR		
Financial assets				
Account receivables	315,772,742	--	(13,981,840)	301,790,902
Other current assets	1,554,245	--	--	1,554,245
Cash and cash equivalents	260,216,878	--	--	260,216,878
Total amortised costs	**577,543,865**	--	(13,981,840)	**563,562,025**
Investments				
Available-for-sale	1,123,583,040	(1,123,583,040)	--	--
Held for trading	131,088,388	(131,088,388)	--	--
At fair value through profit or loss	--	1,254,671,428	--	1,254,671,428
	1,254,671,428	--	--	**1,254,671,428**
Financial liabilities				
Bank borrowing	290,240,821	--	--	290,240,821
Other payables and accruals	131,660,511	--	--	131,660,511
Total at amortized cost	**421,901,332**	--	--	**421,901,332**

III. Impact on retained earnings and fair value reserve

	Notes	Fair value reserve	Retained earnings
		SR	
Closing balance under previous GAAP (31 December 2017)		**393,642,830**	**55,386,528**
Reclassification of fair value reserve to retained earnings under IFRS 9		**(393,642,830)**	**393,642,830**
Recognition of expected credit losses under IFRS 9	27	**--**	**(13,981,840)**
Opening balance under IFRS 9 (1 January 2018)		**--**	**435,047,518**

IV.The following table provides the carrying value of financial assets and financial liabilities in the consolidated statement of financial position.

	Mandatorily at fair value through profit or loss	Amortized cost	Total carrying amount
	31 December 2018		
Financial assets			
Account receivables, net	--	**244,231,098**	**244,231,098**
Cash and cash equivalents	--	**140,332,977**	**140,332,977**
Other assets	--	**654,151**	**654,151**
Investment at fair value through profit or loss	**958,144,716**	--	**958,144,716**
	958,144,716	**385,218,226**	**1,343,362,942**
Financial liabilities			
Other payables and accruals	--	**67,562,436**	**67,562,436**
	--	**67,562,436**	**67,562,436**

	Mandatorily at fair value through profit or loss	Amortized cost	Total carrying amount
	1 January 2018		
Financial assets			
Account receivables, net	--	301,790,902	301,790,902
Cash and cash equivalents	--	260,216,878	260,216,878
Other assets	--	1,554,245	1,554,245
Available for sale investments	1,123,583,040	--	1,123,583,040
Held for trading investments	131,088,388		131,088,388
	1,254,671,428	563,562,025	1,818,233,453
Financial liabilities			
Bank borrowings	--	290,240,821	290,240,821
Other payables and accruals	--	131,660,511	131,660,511
	--	421,901,332	421,901,332

Policy applicable before 1 January 2018

3.3. IFRS 15 – Revenue from contracts with customers

IFRS 15 ‘Revenue from Contracts with Customers’ was adopted in May 2014. The Company has applied IFRS 15 as part of its transition to IFRS.

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several standards and interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the Company as at the initial adoption and the reporting date.

The Company recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps, the revenue recognition policy for each major revenue stream is as follow:

Asset management fees
Asset management fees are recognised based on a fixed percentage of net assets under management (“asset-based”), or a percentage of returns from net assets (“returns-based”) subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Company’s efforts to transfer the services for that year. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

Advisory and investment banking services revenue
Advisory and investment banking services revenue is recognised based on services rendered under the applicable service contracts using the five-step approach to revenue recognition above.

Brokerage income
Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts and rebates. The performance obligation of the Company is satisfied when the Company carries out the transaction, which triggers immediate recognition of the revenue, as the Company will have no further commitments.

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

Other subscription income
Subscription fee is recognized upon subscription of the investor to the fund.

3.4. Principles of consolidation and equity accounting

Business combinations

The Company accounts for business combinations using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date on which control ceases.

Subsidiary's equity obligation

Subsidiary's equity obligation represent the interest of other unit holders in subsidiary fund, and are classified as current liabilities. Changes in subsidiary's equity obligations are recorded in the consolidated statement of profit or loss and presented after "net (loss) / income for the year after zakat and income tax".

Equity-accounted investee

The Company's interests in equity-accounted investee comprise interest in an associate.
Associates are those entities in which the Company has significant influence, but no control or joint control, over the financial and operating policies.
Interest in an associate is accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Notes to the consolidated financial statements for the year ended December 31st, 2018

When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has a corresponding obligation.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees is changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events:

- significant financial difficulty of the equity-accounted investee;
- a breach of contract, such as a default or delinquency in payments by the equity-accounted investee;
- the entity, for economic or legal reasons relating to its equity-accounted investee's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider;
- it becoming probable that the equity-accounted investee will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the net investment because of financial difficulties of the equity-accounted investee.

The entire carrying amount is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

Changes in ownership interests

The Company treats transactions with subsidiary's equity obligation that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and subsidiary's equity obligation to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to subsidiary's equity obligation and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Company ceases to consolidate or equity-account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. In case of loss of control over subsidiary, the Company also derecognises the assets and liabilities of the subsidiary, and any related subsidiary's equity obligation and other components of equity. Any resulting gain or loss is recognised in profit or loss.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised income and expenses arising from intra group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's
interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.5. Cash and cash equivalents

Cash and cash equivalents includes bank balances, bank overdrafts and deposits with original maturities of three months or less, if any.

3.6. Property and equipment

Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset including the cost of purchase and any other costs directly attributable to bringing the assets to a working condition for their intended use. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the consolidated statement of profit or loss as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognized.

Subsequent expenditure

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property and equipment is recognized in the consolidated statement of profit or loss as incurred.

Depreciation

Depreciation is calculated over depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Depreciation of an asset begins when it is available for use. 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:

Notes to the consolidated financial statements for the year ended December 31st, 2018

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

3.7. Leases

Determine whether an arrangement contains a lease

At inception of an arrangement, the Company determine whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payment and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

Leased assets

Leases of property and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as financed leases. The lease assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments.

Subsequent to initial recognition, the assets area accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's financial statements.

Leased payments

Payments made under operating leases are recognized in consolidated statement of income on a straight line bases over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the date of each consolidated statement of financial position.

3.8. Intangible assets

Recognition and measurement

These represent software held for use in the normal course of the business and are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortization
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of profit or loss. The estimated useful life of software is 4 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

3.9. Impairment on non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Impairment losses in respect of non-financial assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.10. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost in the consolidated statement of profit or loss.

3.11. Employee benefits

Defined benefits obligation- employees' benefits

The Company operates a defined benefit plan under the Saudi Arabian Law applicable based on employees' accumulated periods of service at the date of the consolidated statement of financial position. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method as per IAS 19 Employee benefits.

Notes to the consolidated financial statements for the year ended
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The cost of providing benefits under the Company's defined benefit plan is determined using the projected unit credit method by a professionally qualified actuary and arrived at using actuarial assumptions based on market expectations at the date of the consolidated statement of financial position. These valuations attribute entitlement benefits to the current period (to determine current service cost), and to the current and prior periods (to determine the present value of defined benefit obligations). Re-measurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through the consolidated statement of other comprehensive income in the period in which these occur. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods.

Past service costs are recognized in the consolidated statement of profit or loss on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Company recognizes restructuring-related costs

Financing cost is calculated by applying the discount rate to the net defined benefit liability or asset.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognized in the consolidated statement of profit or loss during the period in which the settlement or curtailment occurs.

The defined benefit liability in the consolidated statement of financial position comprises the present value of the defined benefit obligation (using a discount rate).

The Company's net obligation in respect of employees' end-of-service benefits is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods. That benefit is discounted to determine it's present value. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the opening balance with a corresponding debit or credit to retained earnings through other comprehensive income, in the period in which they occur. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods. The Company recognises the following changes in the defined benefits obligation under 'Salaries and employee related expenses' in the profit and loss account:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

The calculation of defined benefits obligation is performed annually by a qualified actuary using the projected unit credit method.

Share-based payment arrangements
The fair value of the amount payable to employees in respect of cash settled share based payment is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of share based payment obligation. Any changes in the liability are recognised in the consolidated statement of profit or loss. 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.

Fixed Compensation
The fixed compensation includes salaries, allowances and benefits. Salaries are set in relation to market rates to attract, retain and motivate talented individuals. Salary administration is based on key processes such as job evaluation, performance appraisal and pay scales structure. The competitiveness of pay scales is monitored and maintained through participation in regular market pay surveys.

3.12 Foreign currency translations

Foreign currency transactions are translated into Saudi Arabian Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognised in consolidated statement of profit or loss.

3.13 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.

3.14 Clients' cash accounts

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

3.15 Zakat and income tax

Zakat
The Company's Saudi shareholders are subject to Zakat in accordance with the Regulations of the General Authority for Zakat and Taxation ("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 the consolidated statement of profit or loss.

Income tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. 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 the consolidated statement of profit or loss.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.16 Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at reporting date and disclosed under contingent liabilities in the financial statements.

3.17 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3.18 Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders.

3.19 Current versus non-current classification

The Company presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset as current when it is:
- expected to be realised or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.
A liability is current when:
- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4. EXPLANATION TO TRANSITION TO IFRS AND OTHER ADJUSTMENTS

As stated in note 2, these financial statements are prepared in accordance with IFRS. The basis of preparation and accounting policies set out in note 2 and 3 respectively have been applied. In preparing these financial statements, the Company has adjusted amounts reported previously in accordance with the Previous GAAP. Further, certain other adjustments and presentation improvements have also been made in these financial statements.
An explanation of the transition from the Previous GAAP to IFRS and other adjustments are set out in the following tables and the notes that accompany the tables:

Reconciliation of consolidated statement of financial position		31 December 2017		
	Notes	Previous GAAP	Adjustments	IFRS
Assets			SR	
Property and equipment, net	4 (a)	5,065,950	(211,403)	4,854,547
Intangibles, net	4 (a)	--	211,403	211,403
Equity-accounted investee		286,056,263	--	286,056,263
Investments		1,123,583,040	--	1,123,583,040
Non-current assets		1,414,705,253	--	1,414,705,253
Account receivables, net	4 (a)	21,973,659	293,799,083	315,772,742
Due from related parties	4 (a)	293,799,083	(293,799,083)	--
Investments		131,088,388	--	131,088,388
Prepaid expenses and other current assets		8,214,768	--	8,214,768
Cash and cash equivalents		260,216,878	--	260,216,878
Current assets		715,292,776	--	715,292,776
TOTAL ASSETS		2,129,998,029	--	2,129,998,029
Equity				
Share capital		852,735,000	--	852,735,000
Statutory reserve		325,462,754	--	325,462,754
Fair value reserve		393,642,830	--	393,642,830
Retained earnings	4 (e)	154,135,429	(98,748,901)	55,386,528
Total equity		1,725,976,013	(98,748,901)	1,627,227,112
Liabilities				
Defined benefit obligation	4 (b)	17,846,353	(638,955)	17,207,398
Deferred tax liabilities	4 (c)	--	174,141	174,141
Share based payment obligation		50,497,811	--	50,497,811
Non-current liabilities		68,344,164	(464,814)	67,879,350
Bank borrowings		290,240,821	--	290,240,821
Other payables and accruals	4 (d)	35,617,916	99,213,715	134,831,631
Zakat and income tax provision		9,819,115	--	9,819,115
Current liabilities		335,677,852	99,213,715	434,891,567
Total liabilities		404,022,016	98,748,901	502,770,917
TOTAL EQUITY AND LIABILITIES		2,129,998,029	--	2,129,998,029

Notes to the consolidated financial statements for the year ended December 31st, 2018

Reconciliation of consolidated statement of financial position		1 January 2017		
	Notes	Previous GAAP	Adjustments	IFRS
Assets			SR	
Property and equipment, net	4 (a)	5,307,388	(499,033)	4,808,355
Intangibles, net	4 (a)	--	499,033	499,033
Equity-accounted investee		213,885,918	--	213,885,918
Investments		1,029,492,893	--	1,029,492,893
Non-current assets		1,248,686,199	--	1,248,686,199
Accounts receivables, net	4 (a)	30,083,241	157,206,993	187,290,234
Due from related parties	4 (a)	157,206,993	(157,206,993)	--
Investments		418,417,055	--	418,417,055
Prepaid expenses and other current assets		5,896,900	--	5,896,900
Cash and cash equivalents		204,002,766	--	204,002,766
Current assets		815,606,955	--	815,606,955
TOTAL ASSETS		2,064,293,154	--	2,064,293,154
Equity				
Share capital		852,735,000	--	852,735,000
Statutory reserve		325,462,754	--	325,462,754
Fair value reserve		326,261,173	--	326,261,173
Retained earnings	4 (e)	166,007,107	(82,282,280)	83,724,827
Total equity		1,670,466,034	(82,282,280)	1,588,183,754
Liabilities				
Bank borrowings		44,999,325	--	44,999,325
Defined benefit obligation	4 (b)	14,344,358	20,998	14,365,356
Deferred tax liabilities	4 (c)	--	683,803	683,803
Share based payment obligation		31,561,448	--	31,561,448
Non-current liabilities		90,905,131	704,801	91,609,932
Bank borrowings		242,317,091	--	242,317,091
Other payables and accruals	4 (d)	47,866,751	81,577,479	129,444,230
Zakat and income tax provision		12,738,147	--	12,738,147
Current liabilities		302,921,989	81,577,479	384,499,468
Total liabilities		393,827,120	82,282,280	476,109,400
TOTAL EQUITY AND LIABILITIES		2,064,293,154	--	2,064,293,154

Reconciliation of consolidated statement of profit or loss	For the year ended 31 December 2017			
	Notes	Previous GAAP	Adjustments	IFRS
Revenues			SR	
Asset management and subscription fees	4 (d)(i)	**210,989,070**	(2,138,455)	**208,850,615**
Investment banking income		**35,463,681**	--	**35,463,681**
Brokerage fee income		**3,561,551**	--	**3,561,551**
Income from proprietary investments	4 (a)	**9,618,811**	(9,618,811)	--
Special commission income	4 (a)	--	1,786,014	**1,786,014**
Dividend income	4 (a)	--	7,573,957	**7,573,957**
Trading income - net	4 (a)	--	3,671,333	**3,671,333**
Realised loss on non-trading income	4 (a)	--	(4,132,080)	**(4,132,080)**
		259,633,113	(2,858,042)	**256,775,071**
Expenses				
Salaries and employee related expenses	4 (b), 4 (d)(ii)	**(119,916,224)**	(14,901,824)	**(134,818,048)**
Depreciation and amortization expense		**(1,981,476)**	--	**(1,981,476)**
Rent and premises related expenses		**(4,597,569)**	--	**(4,597,569)**
Impairment charges		--	--	--
Special commission expense on borrowings		**(11,182,996)**	--	**(11,182,996)**
Other general and administrative expenses		**(37,110,281)**	1,562,500	**(35,547,781)**
Provision for doubtful receivables		--	(1,562,500)	**(1,562,500)**
		(174,788,546)	(14,901,824)	**(189,690,370)**
Share in loss of equity-accounted investee		**(1,593,264)**	--	**(1,593,264)**
Other income	4 (a)	--	719,587	**719,587**
Other non-operating income / (loss)		**(1,593,264)**	719,587	**(873,677)**
NET INCOME FOR THE YEAR BEFORE ZAKAT AND INCOME TAX		**83,251,303**	(17,040,279)	**66,211,024**
Zakat and income tax	4 (c)	**(9,849,481)**	378,066	**(9,471,415)**
NET INCOME FOR THE YEAR		**73,401,822**	(16,662,213)	**56,739,609**

Reconciliation of statement of other comprehensive income	For the year ended 31 December 2017			
	Notes	Previous GAAP	Adjustments	IFRS
			SR	
NET INCOME FOR THE YEAR		**73,401,822**	(16,662,213)	**56,739,609**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss				
Share in other comprehensive income of equity accounted investee*		--	73,763,609	**73,763,609**
Net loss on fair value of available-for- sale investments*		--	(6,381,952)	**(6,381,952)**
Related tax	4 (c)	--	131,596	**131,596**
Items that will not be reclassified to profit or loss				
Actuarial gain on defined benefit obligation	4 (b)	--	63,996	**63,996**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		--	67,577,249	**67,577,249**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**73,401,822**	50,915,036	**124,316,858**

*These amounts were previously presented directly in the consolidated statement of changes in equity.

a) Changes due to presentation enhancement and reclassification

i) Intangibles amounting to SAR 211,403 (31 December 2016: SAR 499,033) have been separately presented on the consolidated statement of financial position under the head “Intangibles”. These were previously presented within the financial statement line item of ‘Property and Equipment’.

ii) Due from related parties amounting to SAR 293,799,083 (31 December 2016: SAR 157,206,993) was reported as a separate financial statement line item on the consolidated statement of financial position. This has now been presented as part of 'account and other receivables’.

iii) Income from proprietary investments included several income streams which have now been reclassified to more appropriate financial statement line items.

iv) Provision for doubtful receivables amounting to SAR 1,593,264 has been separately presented on the consolidated statement of profit or loss under the head “Provision for doubtful receivables”. This was previously presented within the financial statement line item of ‘Other general and administrative expenses’.

v) In accordance with IFRS 12 ‘Income Taxes’, the Company has reported Zakat and income tax provision in the consolidated statement of profit or loss and consolidated statement of other comprehensive income. Under Previous GAAP, Zakat and tax provision was reported in consolidated statement of changes in equity. The transition has not resulted in any change to the zakat and income taxes policy in either current or prior period.

b) Under the Previous GAAP, the Company’s liability was calculated as current value of the vested benefits to which the employee is entitled, should the employee leave at the reporting date. Under IFRSs, end of service benefits are classified as a defined benefit plan and liability is determined using the project unit method based on actuarial valuation performed at the end of the reporting period.

The impact arising from the change is summarized as follows:	31 December 2017	1 January 2017
Defined benefit obligation	(638,955)	(20,998)
Retained earnings	638,955	20,998
	For the year ended 31 December	
Impact in the consolidated statement of profit or loss	595,957	
Impact in the consolidated statement of other comprehensive income	63,996	

c) Under previous GAAP, deferred tax liabilities and related deferred tax expense in respect of net taxable temporary differences were not recognized in the financial statements. Under IFRSs, the deferred tax liabilities have been recognized in respect of temporary differences between accounting and tax bases of certain financial statement line items.

The impact arising from the change is summarized as follows:	31 December 2017	1 January 2017
Deferred tax liabilities	174,141	683,803
Retained earnings	174,141	683,803
Impact in the consolidated statement of profit or loss	(378,066)	
Impact in the consolidated statement of other comprehensive income	(131,596)	

d) Other adjustments

Impact on retained earnings	Notes	31 December 2017	1 January 2017
Asset management and subscription fee	(1)	(8,675,864)	(6,537,409)
Salaries and employee related expenses	(2)	(90,537,851)	(75,040,070)
		(99,213,715)	(81,577,479)

Impact in the consolidated statement of profit or loss	Notes	For the year ended 31 December 2017
Asset management and subscription fee	(1)	(2,138,455)
Salaries and employee related expenses	(2)	(15,497,781)
		(17,636,236)

i) Asset management and subscription fees

The Company has discretionary portfolio assets which are held in fiduciary capacity on behalf of its clients. The Company is entitled to a fee on the assets it manages. These assets are sometimes placed by the Company with funds under its management where they are subject to management fees at a rate specified in the underlying investment vehicle fee arrangement.

During the year, it was identified that the management fees agreed by the Company with certain clients was lower than the management fees charged by the underlying investment vehicle where the assets were placed. Accordingly, the management has corrected the management fee by restating the comparatives and recording a corresponding rebate payable to client.

ii) Salaries and employee related expenses

The Company has a practice of distributing bonus to employees on its income. On an annual basis, the Company accrues the expected bonus expense at the reporting date. As part of IFRS transition, the Company re-evaluated its basis of bonus accrual and identified that there existed a constructive obligation in respect of bonus relating to the fair value gain from investments that was not recorded in the prior years. As a result, the Company has recorded a bonus accrual to account for such a constructive obligation.

The above mentioned amounts have been adjusted by restating each of the affected financial statements line item for the prior periods. These adjustments have had no material impact on the cashflows of the Company.

e) The retained earnings have decreased as follows:

	Notes	31 December 2017	1 January 2017
Defined benefit obligation	4 (b)	638,955	(20,998)
Deferred tax liabilities	4 (c)	(174,141)	(683,803)
Other adjustments	4 (d)	(99,213,715)	(81,577,479)
		(98,748,901)	(82,282,280)

5. PROPERTY AND EQUIPMENT, NET

	For the year ended 31 December 2018						
	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improvement	Capital work in progress	Total
Cost:							
Balance as at 1 January 2018	20,712,772	5,512,531	4,784,630	395,970	11,472,053	275,570	43,153,526
Additions / transfers	140,201	216,217	4,198	--	195,349	(275,570)	280,395
Disposals	(27,497)	--	--	--	--	--	(27,497)
Balance as at 31 December 2018	20,825,476	5,728,748	4,788,828	395,970	11,667,402	--	43,406,424
Accumulated depreciation:							
Balance as at 1 January 2018	18,861,420	5,270,613	4,689,653	278,970	9,198,323	--	38,298,979
Charge for the year	737,580	162,195	50,924	--	672,602	--	1,623,301
Disposals	(27,495)	--	--	--	--	--	(27,495)
Balance as at 31 December 2018	19,571,505	5,432,808	4,740,577	278,970	9,870,925	--	39,894,785
Net book value at: 31 December 2018	1,253,971	295,940	48,251	117,000	1,796,477	--	3,511,639

These include fully depreciated assets amounting to SAR 33.7 million (31 December 2017: SAR 31.7 million).

For the year ended 31 December 2017	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improve-ment	Capital work in progress	Total
Cost:							
Balance as at 1 January 2017	20,247,952	5,449,404	4,732,316	395,970	10,544,846	43,000	41,413,488
Additions	464,820	63,127	52,314	--	927,207	232,570	1,740,038
Balance as at 31 December 2017	20,712,772	5,512,531	4,784,630	395,970	11,472,053	275,570	43,153,526
Accumulated depreciation:							
Balance as at 1 January 2017	17,894,194	5,068,451	4,632,172	274,803	8,735,513	--	36,605,133
Charge for the year	967,226	202,162	57,481	4,167	462,810	--	1,693,846
Balance as at 31 December 2017	18,861,420	5,270,613	4,689,653	278,970	9,198,323	--	38,298,979
Net book value at:							
31 December 2017	1,851,352	241,918	94,977	117,000	2,273,730	275,570	4,854,547
1 January 2017	2,353,758	380,953	100,144	121,167	1,809,333	43,000	4,808,355

6. INTANGIBLE ASSETS

	31 December 2018	31 December 2017
Cost:		
Balance at beginning of the year	13,789,896	13,789,896
Additions	288,859	--
Balance at end of the year	14,078,755	13,789,896
Accumulated amortization:		
Balance at beginning of the year	13,578,493	13,290,863
Charge for the year	218,812	287,630
Balance at end of the year	13,797,305	13,578,493
Net book value as at the end of the year	281,450	211,403

7. EQUITY-ACCOUNTED INVESTEE

			Carrying amount		
Name of entity	Principle place of business	٪ of ownership interest	31 December 2018	31 December 2017	1 January 2017
Jadwa Industrial Investment Company	Saudi Arabia	30	250,273,122	286,056,263	213,885,918

Jadwa Industrial Investment Company (the “Associate”) was set up by the Company to own an equity interest in Saudi Aramco Lubricating Oil Refining Company (“Luberef”). The Associate has been accounted for using the equity method of accounting. Further, the country of incorporation or registration is also the principal place of business.

As at 31 December 2018, the Company had an outstanding commitment in the form of a letter of guarantee on loan obtained by the Associate. The Company’s proportionate share of the above commitment is SAR 201.3 million (31 December 2017: SAR 201.3 million).

As at 31 December 2018, the Company’s share in other comprehensive income of the equity-accounted investee was SAR Nil (31 December 2017: SAR 201,064,361). Accordingly, the Company reclassified its share of other comprehensive income of the equity accounted investee to retained earnings as the investee has classified its available for sale investments at fair value through profit or loss on adoption of IFRS 9.

The tables below provides a summarized financial information of the equity-accounted investee. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Company’s share of those amounts.

	31 December 2018 (Unaudited)	31 December 2017 (Audited)	31 December 2016 (Audited)
		SAR in 000	
Total current assets	4,484	15,595	22,053
Total non-current assets	1,512,762	1,618,040	1,372,162
Total current liabilities	683,003	680,190	681,821
Net assets (100%)	834,243	953,445	712,394
Company’s share of net assets (30%)	250,273	286,033	213,718

	For the year ended 31 December 2018 (Unaudited)	For the year ended 31 December 2017 (Audited)
	SAR in 000	
Total operating (loss) / income	(85,593)	26,572
Net loss for the year	(119,202)	(4,752)
Change in fair value reserve	--	245,878
Total comprehensive (loss) / income (100%)	(119,202)	241,126
Company’s share of total comprehensive (loss) / income (30%)	(35,783)	72,338

8. ACCOUNT RECEIVABLES, NET

	31 December 2018	31 December 2017	1 January 2017
		SAR in 000	
Due from related parties	**230,611,161**	293,799,083	157,206,993
Due from third parties	**22,540,073**	21,973,659	35,013,066
Impairment loss allowance	**(8,920,136)**	--	(4,929,825)
	244,231,098	315,772,742	187,290,234

8.1 Information about the Company's exposure to credit risk and impairment losses for account receivables is included in note 27.1.

9. INVESTMENTS

	31 December 2018	31 December 2017	1 January 2017
		SAR in 000	
Non-current			
Available-for-sale	**--**	1,123,583,040	1,029,492,893
FVTPL	**958,144,716**	--	--
	958,144,716	1,123,583,040	1,029,492,893
Current			
Held for trading	**--**	131,088,388	418,417,055
	958,144,716	1,254,671,428	1,447,909,948

9.1 The table below summarises the cost and fair value of investments:

	31 December 2018		31 December 2017		1 January 2017	
	Fair value	Fair value	Fair value	Fair value	Cost	Fair value
Open-ended fund – units	**75,000,000**	**76,254,558**	313,871,602	315,496,859	549,963,440	545,171,205
Debt securities (Sukuks)	**161,300,210**	**157,024,741**	--	--	--	--
Close-ended funds – units	**897,184,901**	**723,515,001**	846,646,562	938,712,174	795,762,053	886,268,774
Equity	**1,509,875**	**1,350,416**	650,214	462,395	592,345	16,469,969
	1,134,994,986	**958,144,716**	1,161,168,378	1,254,671,428	1,346,317,838	1,447,909,948

The Company has recorded a decrease of SR 262 million as amount of remeasurement of fair value of investments. The Company's investments in close-ended funds have been classified under Level 3. The fair value of these investments is estimated using the market comparison, discounted cash flow and other methods (depending on the respective funds and its underlying investments).

Valuation exercise is conducted by the management of the Company at least annually and is significantly impacted by the financial performance of the funds' underlying investments and their budgets or forecasts for future years. Any decline or adverse performance by the relevant industry sector also impacts the valuation of the funds.

Notes to the consolidated financial statements for the year ended December 31st, 2018

10. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Notes	31 December 2018	31 December 2017	1 January 2017
Prepaid software maintenance		**2,661,085**	2,752,511	1,600,236
Advance income tax	1-10	**--**	1,676,345	1,392,322
Advances to employees		**654,151**	1,554,245	1,064,543
Prepaid rent		**2,741,299**	928,592	1,015,288
Prepaid insurance		**1,018,034**	1,303,075	824,511
		7,074,569	8,214,768	5,896,900

10.1 Movement of advance income tax:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Balance at beginning of the year	**1,676,345**	1,392,322
Payment made during the year	**--**	1,676,345
Adjustment for provision for tax and zakat	**(1,676,345)**	(1,392,322)
Balance at end of the year	**--**	1,676,345

11. CASH AND CASH EQUIVALENTS

	Notes	31 December 2018	31 December 2017	1 January 2017
Cash at bank - current accounts		**82,083,337**	125,657,202	21,953,423
Margin deposit with bank	1-11	**995,000**	--	--
Murabaha deposits	2-11	**57,254,640**	134,559,676	182,049,343
		140,332,977	260,216,878	204,002,766

This represents margin deposit placed with a local Saudi bank, having a "A-" credit rating, for the purpose of issuance of a letter of guarantee.

11.2 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 2.0% per annum (31 December 2017: 1.5% per annum).

12. RELATED PARTY TRANSACTIONS

Related parties of the Company include 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.

Notes to the consolidated financial statements for the year ended December 31st, 2018

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	For the year ended 31 December 2018	For the year ended 31 December 2017
Funds under management	- Asset management	**138,633,745**	135,301,411
	- Investment banking	**--**	31,000,000
	- Purchase of FVTPL / held for trading investments	**167,125,140**	-
	- Disposal of FVTPL / held for trading investments	**253,443,033**	291,000,000
	- Purchase of available-for-sale investment	**--**	128,500,000
	- Disposal of available-for-sale investment	**--**	27,700,867
	- Expenses incurred on behalf of managed funds	**6,582,164**	12,864,848
	- Dividend income	**14,920,311**	7,566,740
Board of Directors	- Remuneration [a]	**3,000,000**	3,000,000
The Associate	- Service fee [b]	**1,575,000**	1,500,000
	- Expenses incurred on behalf of the Associate	**1,748,973**	681,587

Nature of balance	31 December 2018	31 December 2017	1 January 2017
FVTPL / Held for trading investments	**797,446,340**	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	**209,357,020**	166,696,235	135,299,405
- Other receivables from managed funds	**18,929,996**	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	**2,112,016**	18,799,650	7,200,000
- Service fee and expenses receivable from equity-accounted investee (b)	**212,129**	2,181,587	--
	230,611,161	293,799,083	157,206,993

(a) This includes annual fee paid to the Board members amounting to SR 375,000 each (2017: SR 375,000).
(b) Fee charged to an equity-accounted investee for providing management services in accordance with a service level agreement.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise top management executives including the Chief Executive Officer and the Chief Financial Officer of the Company.

	Key management personnel		Board of Directors		Total	
	2018	2017	2018	2017	2018	2017
Salaries and reimbursements	**10,363,876**	9,502,212	**112,000**	266,000	**10,475,876**	9,768,212
Allowances	**--**	--	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Annual bonuses	**5,403,667**	11,204,000	**--**	--	**5,403,667**	11,204,000
Defined benefit obligations	**789,322**	583,029	**--**	--	**789,322**	583,029
	16,556,865	21,289,241	**3,112,000**	3,266,000	**19,668,865**	24,555,241
Defined benefit obligations – balance	**5,308,536**	3,790,516	**--**	--	**5,308,536**	3,790,516
Number of persons	**6**	5	**10**	10	**16**	15

The Company provides long-term incentive programs to employees. The value of these incentive plans is not determined upfront as it is linked to the future performance of the Company.

13. SHARE CAPITAL AND RESERVE

Share capital
The authorised, issued and fully paid share capital of the Company consists of 85,273,500 shares of SAR 10 each (December 31, 2017: 85,273,500 million shares of SAR 10 each).

Dividends
During the year 2018, the shareholders in their Annual General Assembly meeting held on Shabaan 9, 1439 (corresponding to 25 April 2018) approved the distribution of dividends amounting to SAR 85.273 million from the retained earnings at SAR 1 per share.

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.

Statutory reserve
In accordance with the Company's By-Laws 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.
During the year 2018, the shareholders in their Annual General Assembly meeting held on Shabaan 9, 1439 (corresponding to 25 April 2018) approved transfer of SR 69.642 million to retained earnings.
As at 31 December 2018, the statutory reserve was in compliance with the above specified threshold.

14. BANK BORROWINGS

Nature of balance	31 December 2018	31 December 2017	1 January 2017
Short-term Murabaha loan	--	238,400,000	238,400,000
Current portion of long-term Murabaha loan	--	44,999,325	--
Accrued commission expense	--	6,841,496	3,917,091
	--	290,240,821	242,317,091
Long-term Murabaha loan	--	--	44,999,325

15. DEFINED BENEFIT OBLIGATION

The movement in provision for defined benefit obligation for the year ended 31 December is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Balance at beginning of the year	**17,207,398**	14,365,356
Current service cost	**3,290,609**	3,133,914
Interest on defined benefit obligation	**495,774**	421,224
Amount recognised in the consolidated statement of profit or loss	**3,786,383**	3,555,138
Actuarial loss / (gain) recognized in other	**746,354**	(63,996)
Benefits paid during the year	**(1,363,170)**	(649,100)
Balance at the end of the year	**20,376,965**	17,207,398

15.1 Principal actuarial assumptions

	For the year ended 31 December 2018	For the year ended 31 December 2017
Discount rate used (٪)	**3.75**	3.00
Future growth in salary (٪)	**2.75**	2.00
Retirement age (years)	**60**	60

The economic and demographic assumptions used in the valuation are unbiased, mutually compatible and best estimates as per the requirements of IAS 19. Financial assumptions are based on market expectations as at the valuation date. These assumptions are as follows:

Discount rate used
This rate was used to calculate the actuarial present value of the projected benefits. As per International Accounting Standard 19 "Employee Benefits", the rate used to discount employee benefit obligation is determined by reference to the market yields at the end of the reporting period. In case of the Company, the discount rate was derived with reference to US dollar denominated Kingdom of Saudi Arabia government traded bonds with maturities consistent with the estimated term of the employee benefit obligation.

Rate of growth in salary
The rate of 2.75% has been assumed as the long-term salary growth rate and is broadly consistent with the benchmark salary increment rate of the region.

Sensitivity analysis
Reasonably possible changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the employee benefit obligation as follows:

	31 December 2018		31 December 2017		1 January 2017	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
Discount rate + / - 1%	**(18,187,744)**	**22,993,387**	(15,378,294)	19,394,506	(12,834,092)	16,203,229
Future salary growth + / - 1%	**22,875,173**	**(18,148,347)**	19,235,455	(15,345,205)	16,189,445	(12,806,443)

15.2 Risk associated with defined benefit plans

Salary increase risk

The End of Service Benefit Scheme is a defined benefit scheme with benefits based on last drawn salary. Therefore, the liabilities of the scheme are sensitive to the salary increases.

16. SHARE-BASED PAYMENT OBLIGATION

The Company adopted a Virtual-Share Linked Incentive Scheme. The scheme aims at rewarding the performance and retention of its employees by giving them the incentive linked to certain 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".

After vesting date each employee will have a put option, having no expiry date, to redeem up to 20% of his unredeemed vested shares at the Put Option Price. The Company may in any financial year after the grant date require that the employee redeems up to 50% of his unredeemed vested shares at the Call Option price.

The amount of the cash payment is determined based on the increase in book value of the Companys' multiple by Put Option factor or Call Option Factor, as the case may be.

The fair value of the Cash settled share-based payment obligation has been measured using an appropriate model. Service conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of fair values at the measurement date of the obligation were as follows:

Fair value	19.6
Book value	16.1
Expected volatility	7.9%
Expected dividends	5.1%
Risk-free interest rate	4.1%

Expected volatility has been based on an evaluation of the historical volatility of the Company's fair value, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience. The risk free interest rate is based on US dollar market yields.

17. OTHER PAYABLES AND ACCRUALS

Nature of balance	31 December 2018	31 December 2017	1 January 2017
Accrued employees' benefits	**47,107,165**	115,927,834	108,483,268
Accrued transaction expenses	**3,784,994**	3,171,120	7,436,565
Other accrued liabilities	**8,455,205**	5,615,954	5,562,567
Account payables	**824,910**	879,099	862,661
Payable to suppliers	**737,131**	561,760	561,760
Rebates	**10,438,025**	8,675,864	6,537,409
Others	**971,887**	--	--
	72,319,317	134,831,631	129,444,230

18. ZAKAT AND INCOME TAX

Charge to the consolidated statement of profit or loss	For the year ended 31 December 2018	For the year ended 31 December 2017
Zakat for the year	**7,934,105**	8,143,053
Adjustment for prior year	**16,384,541**	30,366
Income tax for the year	**2,720,642**	1,676,062
Deferred tax reversal for the year	**(5,361,546)**	(378,066)
	21,677,742	9,471,415

18.1 The movement in provision for Zakat and income tax is as follows:

		For the year ended 31 December 2018	For the year ended 31 December 2017
Balance at beginning of the year		**9,819,115**	12,738,147
Zakat charge for the year	2-18	**7,934,105**	8,143,053
Income tax charge for the year	3-18	**2,720,642**	1,676,062
Adjustment for prior year	4-18	**16,384,541**	30,366
Adjustment against advance payments		**(1,676,345)**	(1,392,322)
Payments made during the year		**(8,010,720)**	(11,376,191)
Balance at end of the year		**27,171,338**	9,819,115

18.2 Zakat

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

	31 December 2018	31 December 2017
Share capital	**852,735,000**	852,735,000
Statutory reserve	**325,462,173**	325,462,173
Retained earnings	**154,135,429**	166,007,107
Investments	**(1,003,957,340)**	(1,108,843,929)
Property and equipment	**(23,895,878)**	(23,642,817)
Provisions	**17,846,353**	20,164,183
Long-term borrowing	**--**	49,999,325
Adjusted net income	**131,941,919**	81,283,330
Dividends paid	**(85,273,500)**	--
Dividend received from investment in share of Saudi companies	**(15,148,503)**	--
Zakat base	**353,845,653**	363,164,372

	For the year ended 31 December 2018	For the year ended 31 December 2017
Saudi shareholders' adjusted net income / Zakat base, whichever is higher	**317,364,166**	325,722,125
Zakat charge for the year (2.5%)	**7,934,105**	8,143,053

18.3 Income tax

Current tax	31 December 2018	31 December 2017
Basis / adjusted net income non-Saudi shareholders	**13,603,212**	8,380,311
Income tax charge for the year (20%)	**2,720,642**	1,676,062

18.4 The Company has filed its Zakat returns with the GAZT financial years up to and including the year 2017. The Zakat assessments for the years up to 2014 have been finalized with the GAZT. The Company has received assessments for the years 2008 to 2014 in which the GAZT raised additional demands aggregating to SAR 145 million. These additional demands mainly came from the "disallowance of long-term investments to the zakat base by the GAZT". Management intends to contest the basis for the additional Zakat liability before the Preliminary Appeal Committee (PAC). Management is confident of a favorable outcome on the aforementioned appeals. However, as a matter of abundant caution, the Company has set aside certain amounts for the potential additional Zakat exposure in consolidated statement of profit or loss.

The assessments for the years 2015 to 2017 are yet to be raised by the GAZT. However, if deducting long-term investments are disallowed to the Zakat base, in line with the assessments finalized by GAZT for the years referred to above, it would result in significant additional Zakat exposure to the Company.

18.5 Deferred tax assets / (liabilities)

	For the year ended 31 December 2018				
	Net balance as at 1 January	Recognized in profit or loss account	Recognized in other comprehensive income	Other*	Deferred tax assets
Property and Equipment, net	**344,635**	**69,885**	**--**	**--**	**414,520**
Account receivables, net	**--**	**183,933**	**--**	**--**	**183,933**
Investments at FVTPL	**(55,879)**	**5,405,340**	**--**	**(1,872,154)**	**3,477,307**
Available-for-sale investments	**(1,872,154)**	**--**	**--**	**1,872,154**	**--**
Defined benefits obligation	**367,992**	**52,180**	**--**	**--**	**420,172**
Share-based payment obligation	**1,041,265**	**(349,792)**	**--**	**--**	**691,473**
	(174,141)	**5,361,546**	**--**	**--**	**5,187,405**

*This represents an adjustment to the opening deferred tax liability due to reclassification of available-for-sale investments to FVTPL on adoption of IFRS 9.

	For the year ended 31 December 2017			
	Net balance as at 1 January	Recognized in profit or loss account	Recognized in OCI	Deferred tax / asset (liability)
Property and Equipment, net	362,363	(17,728)	--	344,635
Account receivable, net	101,653	(101,653)	--	
Investments held for trading	(91,080)	35,201	--	(55,879)
Available-for-sale investments	(2,003,750)	--	131,596	(1,872,154)
Defined benefits obligation	296,214	71,778	--	367,992
Share based payment obligation	650,797	390,468	--	1,041,265
	(683,803)	378,066	131,596	(174,141)

19. CLIENTS' CASH ACCOUNTS

At 31 December 2018, the Company was holding clients' cash accounts amounting to SAR 672.57 million (2017: SAR 513.411 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.

20. ASSETS UNDER MANAGEMENT

These represent the mutual funds', private equity funds' and discretionary portfolios' assets related to the funds unitholders managed by the Company, which amount to SAR 25.52 billion as at 31 December 2018 (2017: SAR 24.05 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.

21. ASSET MANAGEMENT AND SUBSCRIPTION FEES

	For the year ended 31 December 2018	For the year ended 31 December 2017
Management fee	**188,155,821**	176,149,264
Other revenues	**16,913,760**	32,701,351
	205,069,581	208,850,615

22. INVESTMENT BANKING INCOME

This mainly includes investment arrangement fee of SR Nil (year ended 31 December 2017: SR 31 million) on launch of a private equity fund.

23. SALARIES AND EMPLOYEE RELATED EXPENSES

	For the year ended 31 December 2018	For the year ended 31 December 2017
Salaries and allowances	**59,336,427**	57,501,560
Other employee related expenses	**(33,643,452)**	50,680,805
Defined benefit obligation expense	**3,786,383**	3,902,130
Share-based payment expense	**3,540,656**	22,733,553
	33,020,014	134,818,048

24. GENERAL AND ADMINISTRATION EXPENSES

	For the year ended 31 December 2018	For the year ended 31 December 2017
Professional fee	**6,027,153**	6,117,792
Repairs and maintenance expense	**5,419,016**	4,016,062
Subscription fee	**5,805,132**	5,975,824
Travel expense	**4,601,253**	3,761,218
Board of directors expense	**3,000,000**	3,000,000
Contractual labor	**2,966,921**	2,677,312
Telecommunication expense	**1,192,367**	1,216,243
Withholding tax	**842,111**	814,071
Publication, printing and stationery	**1,167,293**	1,040,653
Advertisement expense	**541,236**	447,803
Utilities	**477,077**	631,989
Meeting expense	**935,953**	1,288,516
Insurance expense	**193,753**	214,912
Conference expense	**90,546**	473,132
Others	**4,611,936**	3,872,254
Total	**37,871,747**	35,547,781

Notes to the consolidated financial statements for the year ended December 31st, 2018

25. FAIR VALUE MEASUREMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.
The following table shows the carrying amounts and fair values of assets and liabilities measured at fair value, including their levels in the fair value hierarchy.

Financial assets measured at fair value	31 December 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
FVTPL					
Open-ended funds	76,254,558	--	76,254,558	--	76,254,558
Debt-securities	157,024,741	118,223,273	--	38,801,468	157,024,741
Close-ended funds	723,515,001	--	80,142,110	643,372,891	723,515,001
Equity shares	1,350,416	1,350,416	--	--	1,350,416
	958,144,716	119,573,689	156,396,668	682,174,359	958,144,716

Financial assets measured at fair value	31 December 2017				
	Carrying value	Level 1	Level 2	Level 3	Total
Held for trading	131,088,388	--	131,088,388	--	131,088,388
Available-for-sale					
Open-ended funds	184,408,471	--	184,408,471	--	184,408,471
Close-ended funds	938,712,174	--	2,744,096	935,968,078	938,712,174
Equity shares	462,395	462,395	--	--	462,395
	1,254,671,428	462,395	318,240,955	935,968,078	1,254,671,428

All fair value measurements disclosed are recurring fair value measurements.

The Company values debt securities (Sukuks) that are actively traded on debt markets at their average of last reported bid and ask prices. To the extent that debt securities are actively traded and valuation adjustment are not applied, they are categorized in Level 1 of their fair value hierarchy: hence the Fund's assets.

The fair value of investments classified within Level 2 is determined either using unadjusted net asset value. The unadjusted net asset value is used when the units in a fund are redeemable at the reportable net asset value at, or approximately at, the measurement date.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments are units of private equity funds.

In other cases, the fair value is estimated using the market comparison/discounted cash flow technique (Level 3 measurement). This considers (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

The following table summarizes the movement of the Level 3 fair values for the year ended December 31, 2018:

	For the year ended 31 December 2018	For the year ended 31 December 2017
Carrying value at the beginning of the year	935,968,078	897,063,068
Investment acquired from subsidiary control / purchased	54,037,336	53,500,000
Investment sold	(55,707,744)	(5,432,604)
Loss included in Other Comprehensive Income	--	(6,740,983)
Loss transferred to Profit and loss account	(252,123,311)	(2,421,403)
Carrying value at the end of the year	682,174,359	935,968,078

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements during the year ended 31 December 2018.

The table below sets out information about significant unobservable inputs used as at 31 December 2018 in measuring debt instrument categorized as Level 3 in the fair value hierarchy.

Description	Fair value	Unobserv-able inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation
Debt securities (Sukuks)	38,801,468	Cost of Capital	4.51%	0.50%	(62,084)
		Probability of default	0.03%	0.04%	(16,284)

The following table shows the carrying amounts and fair values of assets and liabilities not measured at fair value, including their levels in the fair value hierarchy.

Financial assets not measured at fair value	31 December 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
Amortised cost					
Accounts receivables, net	244,231,098	--	--	244,231,098	244,231,098
Other assets	654,151	--	--	654,151	654,151
Cash and cash equivalents	140,332,977	--	--	140,332,977	140,332,977
	385,218,226	--	--	385,218,226	385,218,226
Financial liabilities not measured at fair value	**31 December 2018**				
Amortised cost					
Other payables and accruals	67,562,436	--	--	67,562,436	67,562,436

Financial assets not measured at fair value	31 December 2017				
	Carrying value	Level 1	Level 2	Level 3	Total
Amortised cost					
Accounts receivables, net	315,772,742	--	--	315,772,742	315,772,742
Other assets	1,554,245	--	--	1,554,245	1,554,245
Cash and cash equivalents	260,216,878	--	--	260,216,878	260,216,878
	577,543,865	--	--	577,543,865	577,543,865
Financial liabilities not measured at fair value	**31 December 2017**				
Amortised cost					
Bank borrowings	290,240,821	--	--	290,240,821	290,240,821
Other payables and accruals	131,660,511	--	--	131,660,511	131,660,511
	421,901,332	--	--	421,901,332	421,901,332

26. OPERATING SEGMENTS

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, the Company 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.

Inter-segment pricing is determined on an arm's length basis.

A. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before zakat and tax is used to measure performance because management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

31 December 2018					
	Reportable segments				
	Investment Banking	Brokerage	Asset Management Services	Corporate	Total
External revenues	**1,646,375**	**3,381,431**	**205,069,581**	**(229,602,514)**	**(19,505,127)**
Segment revenue	**1,646,375**	**3,381,431**	**205,069,581**	**(229,602,514)**	**(19,505,127)**
Salaries and employee - related expenses	**(11,600,506)**	**(4,534,268)**	**(28,676,834)**	**11,791,594**	**(33,020,014)**
Depreciation and amortization expense	**(336,804)**	**(91,968)**	**(597,880)**	**(815,461)**	**(1,842,113)**
Rent and premises related expenses	**(887,821)**	**(38,481)**	**(1,596,381)**	**(2,143,147)**	**(4,665,830)**
Special commission expense on borrowings			**--**	**(3,688,845)**	**(3,688,845)**
Other general and administrative expenses	**--**	**--**	**--**	**(37,871,747)**	**(37,871,747)**
Share in earnings of equity accounted associate	**--**	**--**	**--**	**(35,783,140)**	**(35,783,140)**
Other Income	**--**	**--**	**--**	**610,991**	**610,991**
Other material non-cash items:					
–Re-measurement of loss allowance, net	**--**	**--**	**4,505,510**	**--**	**4,505,510**
	(12,825,131)	**(4,664,717)**	**(26,365,585)**	**(67,899,755)**	**(111,755,188)**
Segment net (loss) / income	**(11,178,756)**	**(1,283,286)**	**178,703,996**	**(297,502,269)**	**(131,260,315)**
Segment assets	**1,591,499**	**118,583**	**243,056,629**	**1,364,270,265**	**1,609,036,976**
Segment liabilities	**21,884,366**	**1,010,202**	**43,458,681**	**168,368,860**	**234,722,109**

31 December 2017					
	Reportable segments				
	Investment Banking	Brokerage	Asset Management Services	Corporate	Total
External revenues	35,463,681	3,561,551	208,850,615	8,899,224	256,775,071
Segment revenue	35,463,681	3,561,551	208,850,615	8,899,224	256,775,071
Salaries and employee - related expenses	(31,653,251)	(5,644,912)	(58,752,490)	(38,767,395)	(134,818,048)
Depreciation and amortization expense	(74,561)	(57,679)	(290,868)	(1,558,368)	(1,981,476)
Rent and premises related expenses	(1,044,969)	(38,418)	(1,628,527)	(1,885,655)	(4,597,569)
Special commission expense on borrowings	--	--	--	(11,182,996)	(11,182,996)
Other general and administrative expenses			--	(35,547,781)	(35,547,781)
Share in earnings of equity accounted associate	--	--	--	(1,593,264)	(1,593,264)
Other Income	--	--	--	719,587	719,587
Other material non-cash items:					
– Provision for doubtful debts	--	--	(1,562,500)	--	(1,562,500)
	(32,772,781)	(5,741,009)	(62,234,385)	(89,815,872)	(190,564,047)
Segment net income	2,690,900	(2,179,458)	146,616,230	(80,916,648)	66,211,024
Segment assets	2,601,565	211,471	314,132,730	1,813,052,263	2,129,998,029
Segment liabilities	38,950,108	1,837,032	55,611,555	406,372,222	502,770,917

27. 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 effectiveness and value addition. 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.

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

27.1 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge its contractual obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit risk including evaluation of customers' credit worthiness, formal credit approvals and obtaining collateral.

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 financial Statements.

	Total maximum exposure as at 31 December	
	2018	**2017**
Cash and cash equivalents	**140,332,977**	260,216,878
Accounts and other receivables	**253,151,234**	315,772,742
Investments	**157,024,741**	-
Other assets	**654,151**	1,554,245
	551,163,103	577,543,865

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 timely alerts the management on arising risks. While investment team is responsible to maintain exposure within limits, it is monitored independently by risk management on a continuous basis.

Cash and cash equivalents and Murabaha placement

The Company kept its surplus funds with banks having sound credit rating. Currently the surplus funds are kept with the banks having rating as follows:

Bank	STANDARD & POOR'S		FITCH		Moody's	
	Long Term	**Short Term**	**Long Term**	**Short Term**	**Long Term**	**Short Term**
Alinma	-	-	**BBB+**	F-2	-	-
AlBilad	-	-	-	-	A2	P-1
SAMBA	-	-	A-	F-1	A1	P-1
SABB	-	-	A-	F-1	A1	P-1
Riyad	**BBB+**	**A-2**	A-	F-2	-	-
Rajhi	**BBB+**	**A-2**	A-	F-2	A1	P-1
Bank Saudi Fransi	**BBB+**	**A-2**	A-	F-2	A1	P-1

Investments at fair value through profit or loss

The Company has investments in debt securities (Sukuks) with the following credit quality.

Rating	31 December 2018	
		%
A	**8,766,976**	**6**
A-	**4,787,032**	**3**
A+	**9,003,821**	**6**
AA	**15,006,370**	**10**
AA-	**21,190,275**	**13**
AAA	**10,581,736**	**7**
B	**6,068,428**	**4**
B+	**19,330,131**	**12**
BBB	**25,116,236**	**16**
BBB-	**11,712,010**	**7**
Unrated	**25,461,726**	**16**
Total	**157,024,741**	**100.00**

Accounts receivables, net

The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also considers the factors that may influence the credit risk of its customers base, including the default risk of the industry and the country in which customers operate.
In monitoring customer credit risk, credit exposures are grouped according to their credit characteristics, including whether they are an individual or a legal entity, open-ended mutual funds, close-ended mutual funds and corporate customers. The Company also analyses various various factors to classify credit exposures into different groups based on economic and industry characteristics, previous financial difficulties and liquidity characteristics of mutual funds' underlying investments.

At 31 December, the maximum exposure to credit risk for accounts receivables by geographic region was as follows:

	Total maximum exposure as at 31 December	
	2018	2017
Kingdom of Saudi Arabia	228,352,603	283,644,824
United Kingdom	1,095,183	2,639,142
Others	23,703,448	29,488,776
	253,151,234	315,772,742

As at the 31 December, the maximum exposure to credit risk for accounts and other receivables by type of counter party was as follows:

	Total maximum exposure as at 31 December	
	2018	2017
Close-ended mutual funds – related parties	222,506,221	234,274,360
Open-ended mutual funds – related parties	6,620,709	55,993,136
Corporate customers	18,023,723	17,264,776
Others	6,000,581	8,240,470
	253,151,234	315,772,742

The debt securities investment portfolio is allocated among the various economic sectors as follows:

Economic sectors	31 December 2018		
	Cost	Fair value	%
Bank and financial services	72,580,499	71,492,056	45
Transportation	11,562,663	10,982,732	7
Chemical	9,788,220	9,789,155	6
Real estate development	21,031,212	20,233,009	13
Utilities	4,002,086	4,001,698	2
Sovereign	42,335,530	40,526,091	27
Total investments portfolio	161,300,210	157,024,741	100

Geographical concentration of debt securities investment portfolio is as follows:

Country	31 December 2018		
	Cost	Fair value	%
Kingdom of Saudi Arabia	38,807,844	38,801,468	24
United Arab Emirates	38,622,909	37,490,402	24
Indonesia	33,624,829	32,178,693	21
United Kingdom	26,066,844	25,371,376	16
Islamic Republic of Pakistan	15,197,160	14,415,826	9
Others	8,980,624	8,766,976	6
	161,300,210	157,024,741	100

Notes to the consolidated financial statements for the year ended December 31st, 2018

Comparative information under previous GAAP
An analysis of credit quality of account receivables that were neither past due nor impaired and the ageing analysis of account receivables that were past due but not impaired as at 31 December 2017 is as follows:

	As at 31 December 2017
Neither past due nor impaired	21,973,659
Past due but not impaired	
Past due 0 - 6 months	163,580,633
Past due 6 - 12 months	36,226,530
Past due 12 - 18 months	37,451,656
Past due 18 - 24 months	22,768,000
Past due 24 - 30 months	18,218,453
Past due 30 - 36 months	9,943,038
Past due 36 - 42 months	1,510,156
Past due 42 - 48 months	1,498,717
Past due over 48 months	2,601,900
	315,772,742

Expected credit losses for account receivables as at 1 January and 31 December 2018
The Company uses an allowance matrix to measure the ECLs of account receivables from related parties, which comprises of small number of large balances.

Loss rates are calculated using a 'roll rate' method based on the probability of account receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based age analysis of outstanding exposure.

The following table provides information about the exposure to credit risk and ECLs for account receivables as at 31 December 2018:

Financial assets not measured at fair value	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.0%	22,540,073	--
Past due 0 - 6 months	1.5%	69,070,585	1,055,834
Past due 6 - 12 months	1.6%	30,008,924	466,265
Past due 12 - 18 months	2.8%	26,643,337	739,488
Past due 18 - 24 months	3.0%	24,118,000	734,722
Past due 24 - 30 months	4.0%	34,028,008	1,358,474
Past due 30 - 36 months	4.8%	18,640,951	901,614
Past due 36 - 42 months	7.7%	14,241,067	1,101,221
Past due 42 - 48 months	14.4%	8,249,516	1,187,081
Past due 48 - 54 months	24.5%	1,778,973	436,101
Past due over 54 months	24.5%	3,831,800	939,336
		253,151,234	8,920,136

Loss rates are based on actual credit loss experience over past five years. These rates are multiplied by scalar to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast GDP rates, which is 1.47%.

The following is the movement in the ECL / provision for doubtful receivables for the year ended 31 December:

	For the year ended 31 December	
	2018	**2017**
Balance as at 1 January under previous GAAP	**--**	4,925,825
Adjustment on initial application of IFRS 9	**13,981,840**	--
Balance as at 1 January under IFRS 9	**13,981,840**	4,925,825
Net re-measurement of loss allowance	**(4,505,510)**	1,562,500
Write-off during the year	**(556,194)**	(6,488,325)
Balance as at the end of the year	**8,920,136**	--

27.2. 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 Saudi Arabian Riyals.

The summary quantitative data about the Company's exposure to currency risk is as follows:

	31 December 2018	
	USD	**GBP**
Investments at fair value through profit or loss	**118,027,121**	**--**
Accounts receivables, net	**--**	**918,838**
Net exposure	**118,027,121**	**918,838**

	31 December 2017	
	USD	**GBP**
Available-for-sale investments	104,434,687	58,321,636
Accounts receivables, net	--	10,649,798
Net exposure	104,434,687	68,971,434

Notes to the consolidated financial statements for the year ended December 31st, 2018

A reasonably possible strengthening (weakening) of the foreign currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and consolidated statement of profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular commission rates, remain constant.

	Strengthening	Weakening
31 December 2018		
USD + / - 1%	**11,802,712**	**(11,802,712)**
GBP + / - 1%	**91,884**	**(91,884)**
Net effect	**11,894,596**	**(11,894,596)**
31 December 2017		
USD + / - 1%	10,443,469	(10,443,469)
GBP + / - 1%	6,897,143	(6,897,143)
Net effect	17,340,612	(17,340,612)

Cash flow and fair value commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Company hold fixed commission debt securities (Sukuks) that expose that Company to fair vale commission rate risk. The Company also holds variable commission debt securities (Sukuks) that expose the Company to cash flow commission rate risk. The Company manage its risk exposures in order to optimize long term returns.

The portfolio managing team of the Company monitors risk exposures on a daily basis.

If the commission rate risk is not in accordance with the investee's terms and conditions, then the Company is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

Exposure

A breakdown of the investments based on the type of commission rate on debt securities (Sukuks) is as follows:

	31 December 2018		
	Cost	**Market value**	**%**
Fixed rate	**118,299,232**	**114,243,330**	**73**
Floating rate	**43,000,978**	**42,781,411**	**27**
	161,300,210	**157,024,741**	**100**

Mismatch of commission Rate Sensitive Assets and Liabilities

A summary of the Company's commission rate gap position analyzed by the earlier of contractual re-pricing or maturity date, is as follows:

	31 December 2018			
	Not exposed to commission rate risk	Up to 3 months	3 to 6 months	Total
Investments	919,419,207	4,002,085	38,998,893	962,420,185
Accounts receivables, net	244,231,098	--	--	244,231,098
Other assets	654,151	--	--	654,151
Cash and cash equivalents	83,078,337	57,254,640	--	140,332,977
Total assets	1,247,382,793	61,256,725	38,998,893	1,347,638,411
Other payables and accruals	67,562,436	--	--	67,562,436
Total liabilities	67,562,436	--	--	67,562,436
Commission rate gap	1,179,820,357	61,256,725	38,998,893	1,280,075,975

	31 December 2017			
	Not exposed to commission rate risk	Up to 3 months	3 to 6 months	Total
Investments	1,254,671,428	--	--	1,254,671,428
Accounts receivables, net	315,772,742	--	--	315,772,742
Other assets	1,554,245	--	--	1,554,245
Cash and cash equivalents	125,657,202	134,559,676	--	260,216,878
Total assets	1,697,655,617	134,559,676	--	1,832,215,293
Bank borrowings	--	--	290,240,821	290,240,821
Other payables and accruals	131,660,511	--	--	131,660,511
Total liabilities	131,660,511	--	290,240,821	421,901,332
Commission rate gap	1,565,995,106	134,559,676	(290,240,821)	1,410,313,961

Fair value sensitivity analysis for fixed rate instruments
Management has determined that a fluctuation in commission rates of 100 basis points is reasonably possible, considering the economic environment in which the Company operates. The table below sets out the effect on the profit or loss account a reasonably possible increase of 100 basis points in commission rate as at reporting date. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed commission rate debt securities (Sukuks) and other fixed commission rate bearing assets. The impact is primarily from the decrease in the fair value of fixed-income debt securities (Sukuks). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

Effect in amounts of SAR (increase/decrease)

	31 December 2018
Profit or loss account	(3,608,196)

Cash flow sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity of the 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.

	31 December 2018	31 December 2017
Increase/decrease in basis points +/- 10 bps	197,889	720,180

A reduction in commission rates of the same amount would have resulted in an opposite effect to the amounts shown.

Equity price risks
Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to material equity risk with respect to its investments.

27.3 Liquidity risk
'Liquidity risk' is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Company's reputation. The 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 placements with financial institutions.

27.4 Operational risk
Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Company's activities either internally or externally at the Company's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

The primary responsibility for the development and implementation of controls over operational risks rests with management supported by risk management and compliance team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures
- requirements for
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

28. 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.

	31 December 2018	31 December 2017
	SAR in 000	
Capital Base:		
Tier-1 Capital	**1,106,754**	1,332,332
Tier-2 Capital	**--**	393,643
Total Capital Base	**1,106,754**	1,725,975
Minimum Capital:		
Market Risk	**16,417**	10,261
Credit Risk	**797,137**	858,055
Operational Risk	**41,635**	43,697
Total Minimum Capital	**855,189**	912,013
Surplus Capital	**251,565**	813,962
Capital Adequacy Ratio (times)	**1.29**	1.89

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.

29. ACQUISITION OF SUBSIDIARY

On 24 April 2018, due to redemption from other unitholders the Company assumed control of 37.3% of net assets and voting interest in Jadwa Global Sukuk Fund (the "Fund").

Identifiable assets acquired and liabilities assumed

The following table summarized the recognized amounts of assets acquired and liabilities assumed at the date of acquisition which were carried at fair value at the time of acquisition.

Cash and cash equivalents	**366,104**
Investments at fair value through profit or loss	**276,177,114**
Accounts receivables, net	**3,480,382**
Total Assets	**280,023,600**
Other payables and accruals	**337,072**
Total liabilities	**337,072**
Total identifiable net assets acquired	**279,686,528**
Subsidiary's equity obligation percentage	**62.7%**
Subsidiary's equity obligation	**175,416,610**

30. SUBSIDIARY'S EQUITY OBLIGATION

The following table summarizes the information relating to the subsidiary's equity obligation before any intra-group eliminations. Below mentioned information is only for the period from 24 April 2018 i.e the date on which the Company obtained control to 31 December 2018.

	Jadwa Global Sukuk Fund
Subsidiary's equity obligation percentage	51.2%
Assets	159,002,583
Liabilities	173,001
Net assets	**158,829,582**
Net attributable to subsidiary's equity obligation	81,320,395
Revenue	1,814,944
Net loss	(44,708)
Total comprehensive loss	(44,708)
Loss allocated to subsidiary's equity obligation	(27,506)
Cash flow from operating activities	7,767,531
Cash flow from investing activities	86,821,507
Cash flow from financing activities	(94,068,709)
Net increase / (decrease) in cash and cash equivalents	520,329

31. APPROVAL OF FINANCIALS STATEMENTS

These financials statements were approved on 20 Rajab 1440H, corresponding to 27 March 2019.

Pillar III Disclosure

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

Jadwa Investment's Subsidiaries (as per IFRS)

Jadwa Global Sukuk Fund

Authorised Persons percentage of ownership: 51.2%.

Main Activity: Subsidiary is a fixed income fund.

Headquarters: Riyadh.

Country of incorporation: Kingdom of Saudi Arabia.

Financing Information

Jadwa Investment's borrowings as of 31/12/2018

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	-