2019

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

Creativity and discipline can achieve extraordinary outcomes. Jadwa Investment gladly accepts this challenge, year after year.

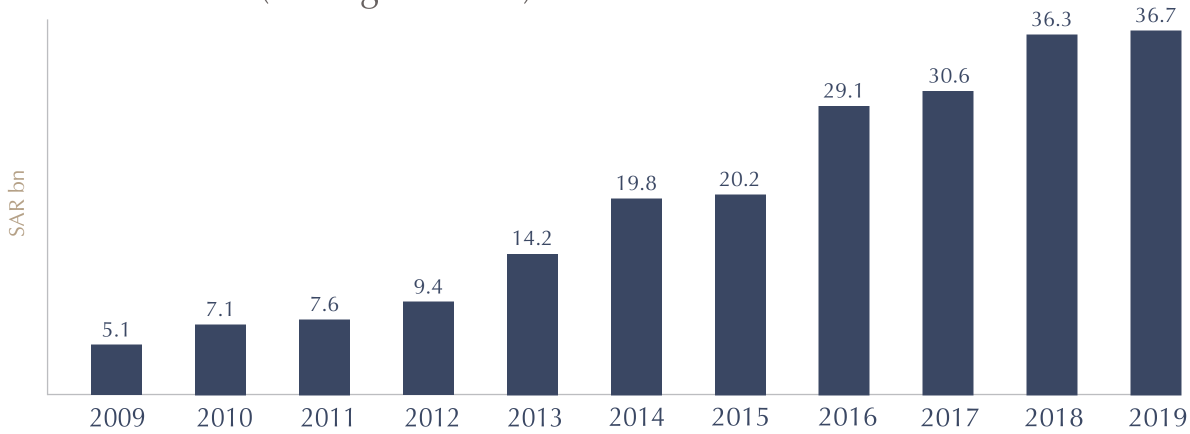
ABOUT JADWA

Jadwa Investment is the premier investment management and advisory firm in Saudi Arabia and the wider region.

Headquartered in Riyadh with three regional offices, the firm has over SAR 36.7 billion in client assets under management and advisement. Its clients include government entities, local and international institutional investors, leading family offices, and high-net-worth individuals.

Business Highlights

Client Assets (Average Annual)



Financial Performance

SAR 380.2 million	SAR 101.8 million	SAR 1.4 billion	SAR 1.6 billion
Total Revenue	Net Income	Shareholders' Equity	Total Assets

Business Performance

SAR 36.7 billion	SAR 1.9 billion	SAR 4.6 billion	SAR 3.2 billion
Client Assets	Growth in Assets Under Advisement	Total Value Creation in 2019	Transaction Volume in 2019
SAR 15.6 billion	SAR 6.3 billion	SAR 6.9 billion	SAR 10.7 billion
Public Markets AUM	Private Equity Invested Capital	Real Estate Invested Capital	Total Revenues of Portfolio Companies

Board of Directors


Adib Alzamil
Chairman


Abdulaziz Alsubeaei
Vice Chairman


Abdulrahman Al-Ruwaita
Member


Iqbal Khan
Member


Khalid Al-Khowaiter
Member


Michael Powell
Member


Nik Rizal
Member


Tariq Al Sudairy
Managing Director & CEO

Investments to Date: Private Equity

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.

Investments to Date: Private Equity

Fund: Jadwa Waste Management Opportunities Fund
Sector: Industrial waste management
Acquisition Stake: 100 percent
Status: Exited
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.

Fund: Jadwa Healthcare Opportunities 4
Sector: Healthcare
Status: launched

The fund aims to achieve long-term capital growth for investors through direct investment in the healthcare sector in the Kingdom of Saudi Arabia.

Investments to Date: Real Estate

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

The fund was launched for the purpose of developing a hospitality project comprising of two pilgrim accommodation towers in the Azizia district, Makkah. The project is currently delivering 955 rooms with the capacity to accommodate 5,200 pilgrims during the Hajj and Ramadan seasons.

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

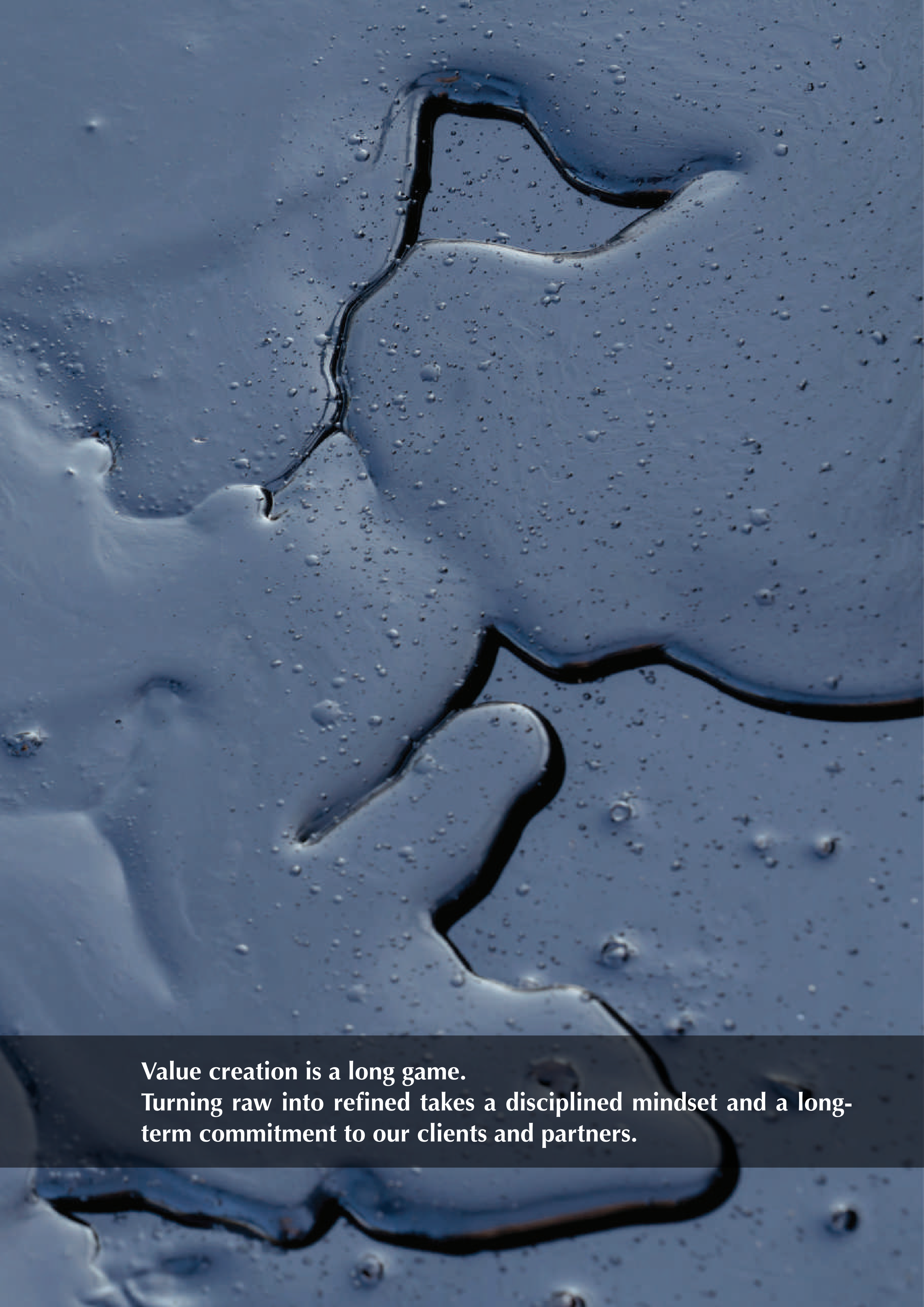
The fund was launched for the purpose of developing a prominent residential project in the city of Riyadh. The project is located on King Khalid Road, north western Riyadh, and includes the construction of villas, a residential compound, schools, and a commercial center.

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. 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 initial portfolio consists of a pool of five core and core plus properties in themajor cities of Riyadh, Dammam, and Khobar, offering diversified exposure to the residential, commercial, industrial, and educational sectors. Subsequent to listing, the fund obtained a SAR 1 billion debt facility for the purpose of financing the fund's acquisition plans.



Value creation is a long game.
Turning raw into refined takes a disciplined mindset and a long-term commitment to our clients and partners.

BUSINESS COMMENTARY

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 2019.

Overall, 2019 was an eventful year that saw the continued unfolding of the government's comprehensive reform program. These reforms have translated into a significant structural transformation of the Saudi business landscape, with the aim to achieve fiscal and economic diversification, enhanced productivity and competitiveness, and an effective engagement of the Saudi workforce. Within this context of rapid economic change, I am happy to report that Jadwa delivered strong financial results, record-setting business performance, and persistent execution of its growth strategy.

The firm generated total revenues of SAR 380.2 million, and net income of SAR 101.8 million. These results are attributable to a 48% growth in our operating business to SAR 349 million, along with a SAR 50.9 million net gain in the value of our balance sheet investments.

Looking at our business performance, 2019 was a year in which Jadwa delivered impressive investment returns and realizations for our clients with an aggregate value creation of SAR 4.6 billion, and a record volume of investment, divestment, and advisory transactions. In our public markets practice, the firm's public equity strategies delivered outstanding returns, outperforming their respective benchmarks by 7.1 to 15.8%. In private equity and real estate, 2019 saw Jadwa complete a record SAR 3.2 billion in investments and divestments across ten transactions, creating and capturing significant value for our clients. On the advisory front, we signed multiple new investment advisory mandates that added SAR 1.9 billion to our assets under advisement, and completed our advisory mandate for the first completed privatization transaction of a government-owned healthcare entity under Vision 2030. I am also pleased to note that, in recognition of Jadwa's unparalleled investment performance, the firm won seven Lipper Awards during the year, including "Best Equity Group" in the Global Islamic Funds category.

As for our growth strategy, Jadwa continued to invest with urgency and conviction in its future growth engines through the development of new product offerings across asset classes and geographies. These strategic initiatives have so far culminated in the launch of multiple new investment products, including a Saudi REITs investment strategy, international public equity strategy, international private equity offering, and international income-yielding fund. I believe that our product development initiatives will, in aggregate, enable our clients to access a broader universe of Shariah-compliant investments across a more diversified portfolio of asset classes.

In light of Jadwa's strong performance and positive momentum, the Board of Directors is pleased to propose a cash dividend of SAR 1 per share in 2019, equal to 10% of the nominal share value.

As we turn to a new calendar year, I look towards 2020 and beyond with confidence in our strategic direction and growth trajectory. Our expertise and insight-based investment approach will allow us to continue to deliver differentiated investment results for our clients, while our strategic drive, creativity, and entrepreneurial mindset will enable us to expand the breadth of our offerings to clients across a wider scope of investments. Above all, everything we do will continue to be guided by an unwavering commitment to serving our clients' best interest. It is only by doing so that we will continue to create sustainable, long-term value for our shareholders, our management team, and the wider community.

I would like to take this opportunity to express my heartfelt appreciation to our clients for their enduring trust, to our shareholders for their continued encouragement, and to my fellow directors for their wisdom and insights. Indeed, our many achievements in 2019 would not have been possible without their collective and unwavering support. I would also like to extend my sincere gratitude to our management team, who are the true guardians of Jadwa's performance, reputation, and sense of purpose. It is with confidence in their unrelenting ingenuity and desire for purposeful achievement that I look toward the future with excitement and optimism.

With my best regards,

Adib Abdullah Alzamil
Chairman of the Board of Directors

"aggregate value creation of SAR 4.6 billion"

CEO's Statement

Respected shareholders,

Overall, 2019 was a period of continued economic reform and transformation in Saudi Arabia. As the government proceeds with the implementation of an ambitious reform agenda that aims to spur economic diversification and sustainable growth, the economic landscape continues to undergo significant structural realignment in response to new market signals and shifting value chain dynamics. While such rapid economic transformation requires careful navigation, it also offers significant opportunities for those organizations that have the insight and initiative to identify and capture emerging trends.

Against this backdrop, 2019 was a year in which Jadwa delivered record-setting results and distinctive financial, business, and strategic performance. The highlights for the year include 48% growth in our operating business activities, SAR 36.7 billion in total client assets under management and advisement, SAR 4.6 billion in total value creation for our clients across all managed asset classes, 7.1-15.8% outperformance across our public equity strategies, a record volume of SAR 3.2 billion in investments and divestments across private equity and real estate, SAR 1.9 billion of incremental assets under advisement from multiple new investment advisory mandates, the completion of our advisory mandate for the first privatization transaction in the healthcare sector under Vision 2030, and the continued execution of our growth strategy towards a more comprehensive investment offering.

Financial Performance

Jadwa delivered strong financial performance in 2019 across its operating and investment activities. Overall, the firm reached record revenues of SAR 380.2 million, and net income of SAR 101.8 million. These results were generated through a 48% growth in our operating business from SAR 235.8 million in 2018 to SAR 349 million, along with a SAR 50.9 million in net realized and unrealized gains from our balance sheet investments. Our financial results for the year are further supported by a healthy and conservative balance sheet, and reaffirm the sustainability and momentum of Jadwa's business model and strategic direction.

Business Performance

2019 was a year marked by continued growth, unparalleled investment performance for our clients, and a record scale and scope of investment, divestment, and advisory transactions. Overall, the firm reached SAR 36.7 billion in total assets under management and advisement across our various practices, with 49% of the inflows coming from new client relationships. We are indeed proud of the continued growth of our client relationships, and we take this as an important vote of trust and a great responsibility to remain committed to excellence in serving our clients' best interest.

In our public markets practice, 2019 was another year of outstanding investment performance. Our public equity strategies delivered returns of 17.3—38.7% during the year, with all strategies outperforming their respective benchmarks by 7.1—15.8%. In recognition of this distinctive and consistent outperformance, Jadwa was awarded seven Lipper Awards this year, including "Best Equity Group" in the Global Islamic Funds category, "Best Saudi Equity Fund", "Best GCC Equity Fund", and "Best MENA Equity Fund".

In private equity, 2019 saw Jadwa complete a record volume of SAR 2.7 billion in investment and divestment transactions. Specifically, we launched Jadwa Healthcare Opportunities Fund 4 to acquire a stake in a leading wholesaler of pharmaceutical products in Saudi Arabia. We completed our first private equity investment in the United States through the launch of Jadwa International Private Equity Fund. We executed our largest private equity divestment of Jadwa Waste Management Opportunities Fund through the full sale of Global Environmental Management Services (GEMS) to Saudi Investment Recycling Company (SIRC). We realized a partial divestment of Jadwa Healthcare Opportunities Fund through public markets. And we structured a dividend recapitalization for Jadwa Healthcare Opportunities Fund 3.

In real estate, we completed over SAR 500 million in investment and divestment transactions. We realized the full divestment of Jadwa Al Basateen Real Estate Fund, which funded the development of a prominent residential project in north western Riyadh along multiple phases. We also completed a partial divestment of Jadwa Al Argan Real Estate Fund, which funded the development of 396 apartments in Riyadh as part of Al Argan's Manazel Qurtuba Project. Finally, we executed three bolt-on acquisitions for Jadwa REIT Saudi Fund in the education, hospitality, retail, and office sectors at an accretive average yield of 9.7% and a weighted average unutilized lease term of 5.1 years. All three acquisitions have been funded through debt financing and will serve to enhance the fund's quarterly distributions to investors.

In our investment advisory practice, we won new mandates with multiple institutional investors to be their sole investment advisor. The scope of the mandates includes designing each institution's investment strategy and asset allocation program, developing their investment governance and policy statements, advising on manager selections, and providing operational setup and performance monitoring support. Together, our new mandates increase Jadwa's assets under advisement by 19% to SAR 12.1 billion.

As for our investment banking practice, we successfully completed our advisory mandate for the privatization of Saudia Medical Services Company, the healthcare subsidiary of Saudia Airlines, with the sale of a majority stake to Dr. Soliman Fakeeh Hospital Company. This landmark transaction, for which Jadwa has been the exclusive financial advisor, constitutes an important milestone as it is the first completed privatization transaction of a government-owned healthcare entity under Vision 2030. We also won an advisory mandate for the public listing of Al Habib Medical Services Group Company, one of the largest healthcare operators in the MENA region, on the Saudi Stock Exchange (Tadawul).

Strategic Performance

Since Jadwa's inception in 2007, our strategy continues to focus on broadening the scope of our investments and activities in a diligent and methodical manner across a wider base of asset classes and geographies. For Jadwa, this aims to create a more dynamic and responsive business model across global economic cycles, and to invest in the drivers of our future growth. More importantly, for our clients, our strategy aims to offer a broader and more diversified universe of well-managed, Shariah-compliant investment offerings. Accordingly, the execution of our strategy has always been guided by prudence and our capability to deliver a differentiated value proposition to our clients.

Within this context, I am happy to report that, in addition to our strong financial and business performance, the firm has delivered strong strategic performance in 2019. Specifically, the year saw Jadwa progress in a prudent and tangible manner in the development of a new slate of product offerings. We launched a new offering under our public markets practice, Jadwa Saudi REITs Strategy, that invests exclusively in locally listed REIT funds. Since inception in April 2019, the strategy has delivered 14.8% in outperformance relative to the local REIT index. In addition, we have launched our first set of investment offerings beyond the MENA region, including a US public equity offering, a US income-yielding strategy, and our first US-based private equity investment. Going forward, our strategic priority will be to expand the scale of these new offerings while selectively exploring further opportunities to broaden our investment range. In doing so, we will continue to add new engines of growth for the future, maintain the discipline and selectivity of our investments, and enable our clients to access a well-diversified and well-managed investment portfolio.

Guided by Jadwa's strategic direction, business principles, and duty of care to our clients, our path forward is well defined.

On a personal note, I would like to express my sincere appreciation to our professional team for making Jadwa what it is today. Our growth strategy has been a multi-year effort requiring great discipline and collaboration, and I cannot think of a better team to accomplish the task. Their passion, sense of purpose, and uncompromising commitment to excellence will continue to drive Jadwa to new heights.

Sincerely,

Tariq Al Sudairy
Managing Director & CEO

"Guided by Jadwa's strategic direction, business principles, and duty of care to our clients, our path forward is well defined. "

Business Overview

Jadwa Investment

Jadwa Investment is the premier investment management and advisory firm in Saudi Arabia and the wider region. Headquartered in Riyadh with three regional offices, the firm has SAR 36.7 billion in client assets under management and advisement. Its clients include government entities, local and international institutional investors, leading family offices, and high-net-worth individuals.

Since inception in 2007, Jadwa has built a strong track record across the full breadth of its activities. The firm's specialized offerings include investment management across public equity, private equity, real estate, and fixed income; investment advisory and fiduciary management; and investment banking services. Today, Jadwa is Saudi Arabia's best performing public equity manager, largest private equity investor, and largest manager of listed REITs. It has developed a reputation as the 'partner of choice' best able to deliver differentiated performance to its clients, and best suited to take businesses to the next phase of institutionalization and growth. It is also recognized for the quality and insights of its widely read economic research reports.

Jadwa expanded its geographic footprint in 2019 with the establishment of Jadwa Investment (DIFC) Limited, a private company registered in the Dubai International Financial Center and licensed by the Dubai Financial Services Authority. The DIFC office constitutes Jadwa's first international presence and aims to better serve the firm's expanding client relationships and investment portfolios.

Client Assets

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, it has grown its client assets to SAR 36.7 billion, comprising SAR 24.6 billion in assets under management and SAR 12.1 billion in assets under advisement. This growth continues to be driven by the firm's business strategy, which aims to offer a broader universe of best-in-class, Shariah-compliant investment offerings. It is also a reflection clients' continued trust in Jadwa's ability to deliver superior investment results while maintaining the highest standards of investment prudence and performance.

Public Markets

Through its asset management platform, Jadwa continues to manage its clients' allocations to public equity and fixed income strategies across local and regional markets. In line with its track record, 2019 was another year of outstanding performance for the firm's public markets practice. Jadwa's public equity strategies delivered returns of 17.3—38.7% during the year, with all strategies outperforming their respective benchmarks by 7.1—15.8%. 2019 also saw the launch of a new strategy that invests exclusively in listed REITs on the Saudi exchange. Since inception in April, the new REITs strategy delivered returns of 34.1%, outperforming its benchmark by 14.8% in the span of nine months.

Jadwa won seven Lipper Awards this year, including "Best Equity Group" in the Global Islamic Funds category, "Best MENA Equity Fund", "Best GCC Equity Fund", and "Best Saudi Equity Fund". The firm was also recognized by EMEA Finance as "Best Asset Manager in Saudi Arabia" and "Best Asset Manager in the Middle East", and by MENA Fund Manager as "Best Saudi Asset Manager" and for "Best MENA Equity Fund". For the second consecutive year, Moody's assigned Jadwa the MQ1 manager quality rating, which is the highest rating on their scale to rate asset managers globally.

> "Jadwa's public equity strategies delivered returns of 17.3—38.7% during the year, with all strategies outperforming their respective benchmarks by 7.1—15.8%. "

Best Equity Group
Over 3 Years

LIPPER FUND AWARDS
FROM REFINITIV
2019 WINNER
GLOBAL ISLAMIC

Best Equity Fund
Over 10 Years

LIPPER FUND AWARDS
FROM REFINITIV
2019 WINNER
MENA MARKETS

Private Equity

In private equity, 2019 was an eventful year that saw Jadwa complete a record volume of SAR 2.7 billion in investments and divestments across five transactions.
Jadwa Healthcare Opportunities Fund 4 was launched to acquire a stake in a leading wholesaler of pharmaceutical products in Saudi Arabia. The fund constitutes Jadwa's fourth private equity investment in the regional healthcare sector.

Jadwa also launched Jadwa International Private Equity Fund and completed its first private equity investment in the United States through the acquisition of a minority stake in a leading digital freight company that offers a highly automated and optimized market across the US. The fund marks Jadwa's thirteenth private equity investment since inception, and brings its total invested capital in private equity to SAR 6.3 billion.

Jadwa completed the full divestment of Jadwa Waste Management Opportunities Fund through the sale of Global Environmental Management Services (GEMS) to Saudi Investment Recycling Company. The trade sale of GEMS constitutes Jadwa's third and largest private equity divestment to date.

Jadwa realized a partial divestment of Jadwa Healthcare Opportunities Fund through public markets.

Finally, Jadwa structured a dividend recapitalization for Jadwa Healthcare Opportunities Fund 3. The transaction was syndicated by four local and regional banks and generated net distributions to clients of SAR 135 million. As a result, the fund has now delivered aggregate distributions of SAR 268 million, or 50% of invested capital, in the form of quarterly dividends and dividend recapitalization since its inception in December 2017, while maintaining its ownership stake in the company. This, along with the above divestments, brings the net distributions to date to Jadwa's private equity clients to SAR 4.2 billion.

Real Estate

Jadwa completed five real estate investment and divestment transactions during 2019, with an aggregate value of SAR 541 million. On the real estate development front, Jadwa completed the full divestment of Jadwa Al Basateen Real Estate Fund, which funded the development of a prominent residential project in north western Riyadh along multiple phases. It also completed a partial divestment of Jadwa Al Argan Real Estate Fund, which funded the development of 396 apartments in Riyadh as part of Al Argan's Manazel Qurtuba Project. The project consists of an integrated housing community that includes retail, education, and public facilities.

As for the firm's income-yielding real estate funds, Jadwa REIT Saudi Fund completed the acquisition of three properties in the education, hospitality, retail, and office sectors at an accretive average yield of 9.7% and a weighted average unutilized lease term of 5.1 years. These bolt-on acquisitions have been funded through debt financing, and will serve to further diversify the fund's sectoral exposure and enhance its quarterly distributions to investors.

Investment Advisory

Jadwa 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 2019, the firm won multiple new mandates with semi-government and non-profit institutions to be their sole investment advisor. The scope of the mandates include designing each institution's investment strategy and asset allocation program, developing their investment governance and policy statements, advising on manager selections, and providing operational set-up and performance monitoring support. Together, these new mandates increase Jadwa's assets under advisement by 19% to SAR 12.1 billion.

"a record volume of SAR 3.2 billion in investments and divestments across private equity and real estate"

Investment in a leading wholesaler of pharmaceutical products in Saudi Arabia

Investment Banking

In investment banking, Jadwa successfully completed its advisory mandate for the privatization of Saudia Medical Services Company, the healthcare subsidiary of Saudia Airlines, with the sale of a majority stake to Dr. Soliman Fakeeh Hospital Company. This landmark transaction, for which Jadwa has been the exclusive financial advisor, constitutes an important milestone as it is the first completed privatization transaction of a government-owned healthcare entity under Vision 2030.

Jadwa was also appointed in March 2019 as the financial advisor, bookrunner and underwriter for the public listing of Dr. Sulaiman Al-Habib Medical Services Group Company, one of the largest healthcare operators in the MENA region, on the Saudi Stock Exchange (Tadawul). The IPO approval was announced by the Capital Market Authority on 30th September 2019.

Economic Research

As major economic transformation continued to unfold in Saudi Arabia, Jadwa continued to affirm its position as a thought leader and a trusted source of macroeconomic research and insight. In total, Jadwa issued 34 reports in 2019, covering key economic and market developments. This included macroeconomic reports, such as the latest on the Saudi economy, 2020 Saudi fiscal budget, and Saudi labor market, as well as thematic reports, including coverage of Vision 2030, the Financial Sector Development Program, the SME sector, and oil markets. The firm also participated in and presented its research at eight local and international conferences, including the Annual UAE Energy Forum, the 20th Annual Meeting of the Saudi Economic Society, the inaugural Saudi Arabia Day in Tokyo, the SAMA Quarterly Workshop, and SuperReturn Middle East. In the course of the year, Jadwa's research subscriptions grew by 10% to 5,920 and its reports were downloaded more than 118,000 times.

Shariah Compliance

Throughout 2019, Jadwa continued to ensure the adherence of all operations to Shariah requirements, and its commitment to developing a wider range of best-in-class investment offerings further cemented the firm's leadership among Shariah compliant investment firms.

The Jadwa Shariah Supervisory Board studied and issued resolutions regarding a range of topics in 2019, including prospective investments and new structures across private equity, real estate, and alternative investments. Jadwa's Shariah team also completed its annual audit procedures, updated the Shariah screening lists, reviewed and approved multiple IPO offerings, and issued 63 research studies on various local and international investment structures.

Corporate Social Responsibility

Corporate social responsibility features significantly in Jadwa's culture and sense of purpose.

2019 saw the continued momentum 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. Specifically, JIP conducted a two-day visit to Al-Madinah for the purpose of providing various forms of community service and support, along with an exploration of the city's rich history. In total, 28 Jadwans and family members volunteered their own time and effort to the JIP program in 2019.

In 2019, the firm also launched the Jadwa Academy, which offers young men and women, including students and recent graduates, the opportunity to receive customized, hands-on training and professional development in the field of investment and finance. As part of this launch, Jadwa Academy has reformatted the firm's training and development offerings into three programs: a three-month internship program for university students and recent graduates, a six-month cooperative training program for university students, and a six-month graduate development program for recent bachelors and masters graduates. In total, 22 interns and cooperative trainees – 9 men and 13 women – were selected to enroll in these programs during the year.

Sale of Global Environmental Management Services (GEMS), Jadwa's largest private equity divestment to date

The first completed privatization transaction of a government-owned healthcare entity under Vision 2030

The Saudi Economy in 2020

We expect economic growth in Saudi Arabia to improve in 2020 as both the oil and non-oil sectors contribute to overall growth. Latest full year GDP data for 2019 showed that the economy just about managed to record growth at 0.3%, but we expect this to improve in the year ahead. As has been the case in the last few years, the economy will be driven by continued implementation of the Vision 2030, as detailed commitments under the various Vision Realization Programs (VRPs) are rigorously pursued. Indeed, the year ahead will mark a critical phase in the Kingdom's efforts to continue on the path towards more sustainable economic growth that is tied to diversifying its non-oil economic base.

That said, the global developments related to corona virus (COVID-19) present downside risks to overall non-oil growth within the Kingdom. Initially, when formulating our forecasts for Saudi Arabia, we had viewed 2020 as being a standout year for the non-oil economy. We had expected the non-oil private sector, in particular, to maintain a level of growth not witnessed in the Kingdom since the era of $100+ crude oil prices. The improvement in the economy was evidenced by recently released GDP data, with non-oil sector growth at 3.3% in 2019, and, more significantly, non-oil private sector hitting the fastest rate of growth since 2014, at 3.8%.

Whilst we still expect non-oil growth to be reasonable, at 1.6%, and non-oil private sector growth at 1.8%, developments around COVID-19 will temporarily derail the momentum in year-on-year rise in non-oil growth. More specifically, we see lower than previously anticipated growth in the 'Transport, Storage & Communication', 'Wholesale/Retail Trade & Restaurants/Hotels, and 'Other Manufacturing' sectors. More positively though, we see progress under various VRPs, many of which have 2020 commitments, directly contributing to growth in a number of sectors during the year. So, under the Public Investment Fund (PIF) program, we expect growth in the construction sector as a result of progress on mega-projects, whilst the combination of the Financial Sector Development Program and Housing VRP will help push growth in the housing and mortgage finance sector.

Saudi Arabia's efforts to stabilize global energy markets, through participation in OPEC and partners (OPEC+) output moderation, resulted in a contraction of 3.6% in oil GDP last year. Looking ahead, we expect a sizable recovery in oil sector GDP, not only because of year-on-year rises in crude oil production, but also due to uplift from the start-up of the Fadhili gas complex and Jazan refinery.

On the fiscal side, in light of developments related to the outbreak of the COVID-19 and its expected impact on oil demand and prices, we now view the budgeted SAR 833 billion revenue by the Ministry of Finance (MoF) as being more realistic than previously thought. According to our calculations, we see government revenue being slightly lower than that anticipated by the MoF, at SAR 791 billion. At the same time, with total expenditure budgeted at SAR 1.02 trillion, we see the fiscal deficit totaling around SAR 229 billion (7.8% of GDP) at the end of the year, higher than the SAR 187 billion (6.4% of GDP) deficit outlined in the MOF's budget statement late last year.

Meanwhile, with respects to the external sector, yearly declines in both oil and non-oil export revenue will result in the current account surplus narrowing to 0.9% of GDP in 2020, compared to an expected 4% in 2019. The decline in overall export revenue will be the main factor in the decline of foreign exchange (FX) reserves during the year. According to our estimates, net FX reserves will decline by $14 billion during 2020, to a total of $485 billion.

Overall, it is worth noting that, at this moment in time, the range of potential effects of COVID-19 on the Kingdom's economy are highly uncertain. Currently, the Saudi authorities have set-up various precautionary measures to prevent further transmission, but, ultimately, this is only one side of the coin. The other side of the coin is that a prolonged and sustained outbreak of the virus globally could have a broad and lasting disruption to global trade and manufacturing output in 2020, which will inevitably act as a further drag on the local economy.

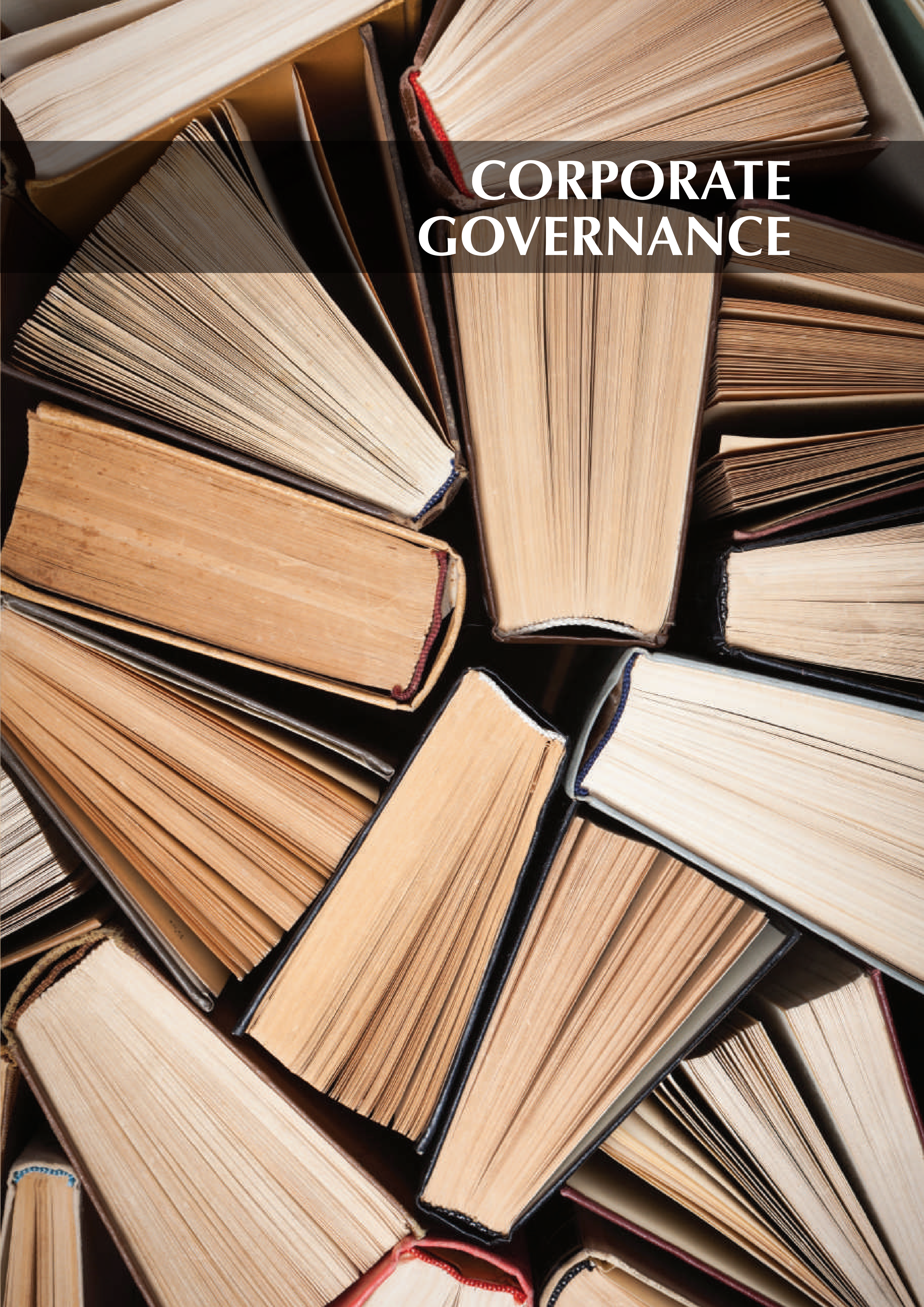
"We expect economic growth in Saudi Arabia to improve in 2020 as both the oil and non-oil sectors contribute to overall growth."

"The economy will be driven by continued implementation of the Vision 2030."

"The range of potential effects of COVID-19 on the Kingdom's economy are highly uncertain."


Investing wisely requires prudence.
Our firm's reputation depends on it.

CORPORATE GOVERNANCE



Corporate Governance

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

CMA's Corporate Governance Requirements

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.	✓	
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.	✓	
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.	✓	
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.	✓	
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.	✓	
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	✓	
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.	✓	
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.	✓	
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 remuneration.	✓	
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 three violations on Jadwa Investment as follows: • An imposed fine of (40,000) forty thousand Saudi Riyal for noncompliance with sub-article (b) of article 5 of the APR. • An imposed fine of (20,000) twenty thousand Saudi Riyal for noncompliance with sub-article (a) of article 15 of the APR. • An imposed fine of (30,000) thirty thousand Saudi Riyal for noncompliance with sub-article (a) of article 15 of the APR. A corrective plan has been implemented rectifying all violations and avoiding them in the future.

No.	The sequence of articles according to the CMA circular:	Compliant	Remarks
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.	✓	
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.	✓	
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.	✓	
1.14	A table or chart showing the assets, liabilities and business results of the Authorized Person in the last five fiscal years.	✓	
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.	✓	
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.	✓	
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.	✓	
1.18	Description of any deal entered into between the Company and a related person	✓	
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.	✓	

Board of Directors' Membership in Other Companies

	Name	Classification	Membership in other companies
1	Mr. Adib Abdullah Alzamil	• Non-Independent • Non-Executive	• United Carton Industries Company - Chairman of the Board of Directors • Fajr Capital - Chairman of the Board of Directors • SANABIL Investment - Member of the Board of Directors • Zamil Industrial Investment Company - Member of the Board of Directors, • Zamil Group Holding Company - Member of the Board of Directors • Auqaf - Member of the Board of General Commission
2	Mr. Abdulaziz Mohammed Alsubeaei	• Non-Independent • Non-Executive	• Fajr Capital – Member of the Board of Directors • Farabi Petrochemical Ltd. – Member of the Board of Directors • Jabal Omar Development Company – Chairman of the Board of Directors • Mohammed Ibrahim Alsubeaei & Sons Investment Holding – Member of the Board of Directors • National Aquaculture Group (NAQUA) – Member of the Board of Director • Saudi Mechanical Industries Company – Vice Chairman of the Board of Directors
3	Mr. Abdulrahman Ibrahim Al Rowaita	• Non-Independent • Non-Executive	• King Abdullah Economic City (Emaar) – Member of the Board of Directors • Saudi Research and Marketing Group – Chairman of Board of Directors
4	Mr. Iqbal Ahmad Khan	• Independent • Non-Executive	• Bank Islam Brunei Darussalam – Member of the Board of Directors • Cravia Inc. – Member of the Board of Directors • Fajr Capital Advisors – Member of the Board of Directors • Fajr Capital – Chief Executive Officer and Member of the Board of Directors • MENA Infrastructure (GP) Ltd. – Member of the Board of Directors • Syarikat Takaful Brunei Darussalam – Member of the Board of Directors • Saudi Mechanical Industries Company – Member of the Board of Directors
5	Mr. Michael John Powell	• Independent • Non-Executive	• E-Circuit Motors – Member of the Board of Directors • Exogenesis Corporation, – Member of the Board of Directors • Fajr Capital – Member of the Board of Directors • FinEx Capital Management – Member of the Board of Directors • Passport Systems Inc. – Member of the Board of Directors • Thematic Capital Partners – Chairman of the Board of Directors • Veridium Ltd. – Member of the Board of Directors
6	Mr. Khalid Mohammed Al Khowaiter	• Independent • Non-Executive	• Zahwa Rentals - Member of the Board of Directors • Anwar Altareq Rentals - Member of the Board of Directors • Java Time - Member of the Board of Directors • Bin Laden International Holding Company – Member of the Board of Directors
7	Mr. Nik Rizal	• Non-Independent • Non-Executive	• Astro Holdings – Member of the Board of Directors • Khazanah Turkey - Member of the Board of Directors • Khazanah Europe Investment Ltd - Member of the Board of Directors • Khazanah Americas Inc – Member of the Board of Directors • Pulau Manukan Ventures – Member of the Board of Directors • Xeraya Capital Sdn Bhd – Member of the Board of Directors • Xeraya Capital Labuan – Member of the Board of Directors • Fajr Capital (Dubai) – Member of the Board of Directors • Astro Malaysia Holdings – Member of the Board of Directors
8	Mr. Tariq Ziad Al Sudairy	• Non-Independent • Executive	• The Saudi Stock Market Exchange (Tadawul) – Member of the Board of Directors • Saudi Aramco Base Oil Company (Luberef) - Member of the Board of Managers • Abdulmohsen Al-Hokair Group for Tourism and Development - Member of the Board of Directors • Alrajhi United Investment Holding - Member of the Board of Directors

Board Meetings and Attendees

During 2019, the Board conducted four meetings:

Name	Board Meeting No (42) 03/04/2019	Board Meeting No (43) 27/05/2019	Board Meeting No (44) 09/10/2019	Board Meeting No (45) 16/12/2019
Mr. Adib Al Zamil	✓	✓	✓	✓
Mr. Abdulaziz Al Subeaei	✓	✓	✓	×
Mr. Abdulrahman Al Rowaita	×	✓	✓	✓
Dato' Noorazman Abdul Aziz*	✓			
Mr. Christopher Masterson**	✓			
Mr. Howard Marks***	×	×		
Mr. Iqbal Khan	×	✓	✓	✓
Mr. Michael Powell	×	✓	✓	✓
Mr. Khalid Al Khowaiter	✓	✓	✓	✓
Mr. Nik Rizal****		×	✓	✓
Mr. Tariq Al Sudairy	✓	✓	✓	✓

* Dato' Noorazman Abdul Aziz resigned in the 2nd quarter of 2019.
** Mr. Christopher Masterson resigned in the 2nd quarter of 2019.
*** Mr. Howard Marks resigned in the 3rd quarter of 2019.
**** Mr. Nik Rizal joined in the 2nd quarter of 2019.

Board of Directors' Committees

Investment Committee

The committee held seven meetings in 2019:

Name	Classification	Meeting No(46) 01/04/2019	Meeting No(47) 15/05/2019	Meeting No(48) 25/09/2019	Meeting No(49) 07/10/2019	Meeting No(50) 28/10/2019	Meeting No(51) 26/11/2019	Meeting No(52) 10/12/2019
Mr. Michael Powell	Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Mazen Al-Jubeir*	Member	×	×					
Mr. Tariq Al Sudairy	Member	✓	✓	✓	✓	✓	✓	✓
Mr. Naif Abuhaimed	Secretary							

* Mr. Mazen Al-Jubeir resigned in the 3rd quarter of 2019.

The Investment Committee ensures that the investments of Jadwa's capital are conducted in accordance with the Proprietary Investment Program, continuously monitors the overall investment performance of the firm's capital, and recommends changes as appropriate.

Audit & Risk Committee

The committee held four meetings in 2019:

Name	Classification	Meeting No(51) 12/03/2019	Meeting No(52) 23/05/2019	Meeting No(53) 24/09/2019	Meeting No(54) 08/12/2019
Mr. Abdulrahman Al-Ruwaita	Chairman	✓	✓	✓	✓
Dr. Saud Al-Nemer	Member	✓	✓	✓	✓
Mr. Nasser Al-Qahtani	Member	✓	✓	×	✓
Mr. Rami Al Sheddi	Secretary				

The Audit & Risk Committee examines the financial statements and accounting policies and supervises the work of the Internal Audit Department and external auditors.

Remuneration & Nomination Committee

The committee held four meetings in 2019:

Name	Classification	Meeting No(42) 18/03/2019	Meeting No(43) 14/05/2019	Meeting No(44) 13/10/2019	Meeting No(45) 01/12/2019
Ms. Ann Almeida	Chairperson	✓	✓	✓	✓
Mr. Abdulaziz Alsubeaei	Member	✓	✓	✓	✓
Mr. Iqbal Khan	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.

Compliance Committee

The committee held four meetings in 2019:

Name	Classification	Meeting No(38) 18/03/2019	Meeting No(39) 14/05/2019	Meeting No(40) 03/10/2019	Meeting No(41) 01/12/2019
Mr. Abdulaziz Alsubeaei	Chairman	✓	✓	✓	✓
Mr. Tariq Al Sudairy	Member	✓	✓	✓	✓
Mr. Anas Al Sheikh	Member	✓	✓	✓	✓
Mr. Mohammed Al-Obaid*	Member	✓	✓		
Mr. Rami Al Sheddi	Member	✓	✓	✓	✓
Ms. Ghada Al Wabil	Secretary				

* Mr. Mohammed Al-Obaid resigned in the 2nd quarter of 2019.

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 2019

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	7,033,027
Allowances	12,000	132,000	3,526,993
Annual and periodic bonuses	None	1,400,000	15,035,334
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. The earned and paid out portion of these programs in 2019 was SAR 4,674,787.
Commissions	None	None	None
Any other compensation or benefits paid on a monthly or annually basis	None	None	None

There are no arrangements or agreements whereby a Jadwa Investment board member or a senior executive waives any compensation or remuneration.

The Interests of Members of the Board of Directors and Senior Executives in Jadwa

There is an interest and contractual securities to the board members and senior executives in shares of Jadwa. There was no change on those interests during 2019.

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

Internal control at Jadwa Investment is supported by three dedicated departments: Internal Audit, Compliance and Risk Management. These departments validate that proper policies and procedures are in place and are regularly reviewed, updated and approved by the competent authority, as per the firm's delegation in its authority matrix. The matrix sets the authorities and responsibilities of different stakeholders within Jadwa.

The Internal Audit Department validates that proper controls are in place, and that they conform to 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 agreed with the management. A proper governance structure is in place in the form of Board committees, including the Remuneration and Nomination Committee, Investment Committee, Audit and Risk Committee, and Compliance Committee.

The Audit and Risk Committee is an independent committee directly related to the board of directors that mainly reviews the financial statements and accounting policies, supervises the works of the internal audit and the external auditors.

The Opinion of the Audit and Risk Committee

Based on the periodical reports submitted to the committee in 2019 by Internal Audit, Risk Management and external auditors, the committee believes that the financial and operational controls are sound and adequate, and that there are no regulatory gaps or a material weakness in the company's business during the fiscal year 2019 that may affect the soundness and quality of the financial statements of the company. It is worth mentioning that any internal control system—regardless of its design or effectiveness—cannot 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 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 policy and procedures provides way to identify the risks and tolerance limits to monitor and process to manage the 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.

Credit Risk

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.

Market Risk

Market risk is made up of key risks – commission rate risk, foreign exchange risk and equity price risk. Jadwa manages market risk through the establishment of risk limits, which restrains extra risk taking. These risk limits are established using a variety of dynamic risk measurement tools including sensitivity analysis, value-at-risk and stress test methodologies.

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.

- Contingency Funding Plan
  Jadwa draws a contingency funding plan at the beginning of each year to address any liquidity crises. The company carefully identify triggers where contingency fund is required. The contingency funding plan clearly assesses the sources of funding through diverse resources and is presented to the board for approval.

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. Enterprise Risk Assessment (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 to ensure steady functioning of work environment. This operational risk framework enables the firm to comprehend inherent risk level, residual risk level 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 and control self-assessment (RCSA)
• Operational loss incident and loss management
• Risk mitigation
• Risk monitoring, acceptance and reporting

- 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.

- 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, performs round the clock external Penetration testing for online services, awareness to employees and having next generation firewall and intrusion prevention system, which keep us ahead in information Security Risk protection.

- Business Continuity Management
  Jadwa is committed to protecting its team members and ensuring its critical business functions and infrastructure capabilities are in place to protect its organization, safeguard clients, and ensure it sustains the firm's objectives. BCM capabilities consist of the following components:
    - Crisis management
    - Business continuity plan
    - Disaster recovery plan

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

More details on financial risks are provided under Note 25 of the financial statement.

Significant Differences in Operating Results

Please refer to the Chairman's Statement, CEO's Statement, and Business Overview section for detailed commentary on Jadwa's operating results in 2019.

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

SAR in million	2019	2018	2017	2016	2015
Total Assets	1,572	1,609	2,130	2,064	2,144
Total Liabilities	182	235	404	394	385
Total Operating Income	380	(20)	258	290	248
Net Profit	102	(153)	83	110	94

Loans to Jadwa Investment

There were no loan-related transactions during 2019, and there was no outstanding balance as of December 31, 2019.

Subsidiary Companies

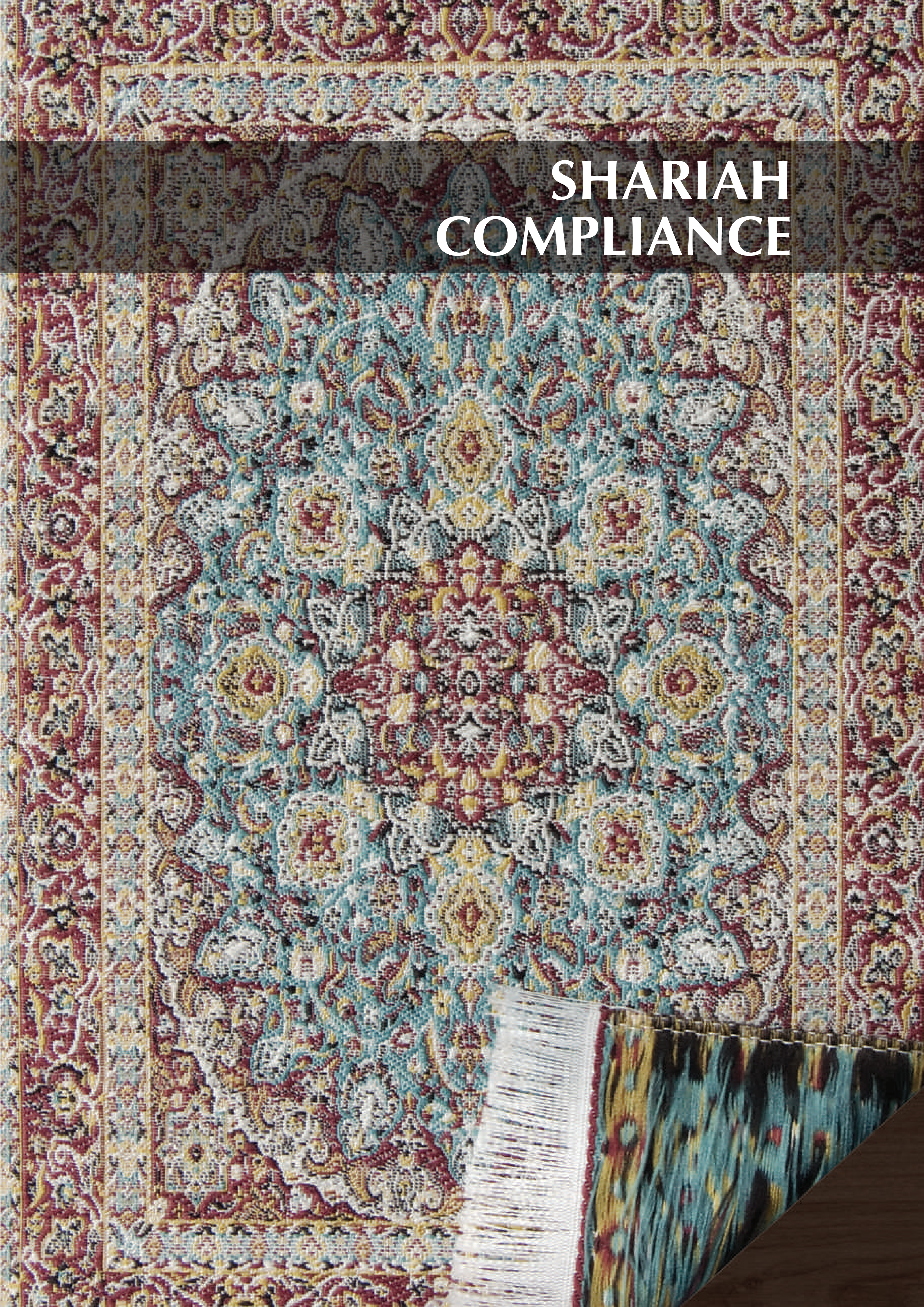
Subsidiary company	Capital (SAR)	Ownership (%)	Main activity	Country of incorporation	Country of main activity
Jadwa International Alternative Investment Management	187,500	100%	Provision of investment advisory services	Cayman Islands	Cayman Islands
Jadwa International PE Fund GP Limited	187,500	100%	Unrestricted	Cayman Islands	Cayman Islands
Jadwa International Listed Equities SPC	187,500	100%	Investment in international listed equities	Cayman Islands	Global
Jadwa Investment (DIFC) Limited	2,812,500	100%	• Advising on Financial Products • Arranging Credit and Advising on Credit • Arranging Deals in Investments • Managing Assets	Dubai, United Arab Emirates	Dubai, United Arab Emirates

Board Acknowledgment

The Board of Directors declares that there are no contracts or businesses during the financial year 2019 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.

Value creation is more than numbers. A broader range of Shariah compliant investment offerings expand our clients' investment universe.

SHARIAH COMPLIANCE



Shariah Compliance

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, member of the Iftaa Committee, consultant for the Saudi Royal Diwan consultant of King Abdulaziz Center for National Dialogue, and member of the Shariah Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Sheikh Dr. Muhammad Ali Elgari (Member of the Board)
Member of the Shariah Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and member 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.

Sheikh Dr.Ahmad Abdulrahman Al Gaidy (Member of the Board)
Head of Shariah Research at Jadwa Investment.

Annual Shariah Statement for the Year 2019

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

الهيئة الشرعية
Shariah Board

جدوى للإستثمار
Jadwa Investment

In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD

(Annual Shariah Statement for the Year 2019)

All praise is due to Allah, peace and blessings be upon 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 2019, and brought to our attention, were Shariah compliant.
2. Profits and losses reported in the annual Shariah audit are according to the approved contracts and agreements.
3. Purification amounts viewed by the Shariah board were paid out to charity.

The Shariah board commends Jadwa management and team members for their commitment to applying Shariah guidelines and resolutions. We pray to Allah Almighty to grant them success.

Peace and blessings be upon Prophet Muhammad, his household and companions.

Board Members

Dr. Abdullah Al Mutlaq	**Dr. Mohammad Elgari**
Chairman	Member
Bader Abdulaziz Alomar	**Dr. Ahmad Abdulrahman Algaidy**
Member	Secretary & Member

**We focus on creating and capturing value for our clients.
In doing so, we generate long-term value for our shareholders.**

AUDITED FINANCIAL STATEMENTS

KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Jadwa Investment Company

Opinion

We have audited the consolidated financial statements of **Jadwa Investment Company** ("the Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and 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 2019, and its consolidated financial performance 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 Auditor's 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.

Those charged with governance, Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

KPMG

Independent Auditor's Report

To the Shareholders of Jadwa Investment Company (continued)

Auditor's 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 auditor's 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 auditor's 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 subsidiaries (collectively referred to as the "Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

KPMG Certified Public Accountants KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License No: 371

Al Riyadh: 5 Sha'ban 1441H
Corresponding to: 29 March 2020

Consolidated Statement of Financial Position as at 31 December 2019

	Notes	2019	2018
ASSETS		**SAR**	**SAR**
Property and equipment, net	4	**2,235,090**	3,511,639
Intangibles, net	5	**336,950**	281,450
Equity-accounted investee	6	**269,242,183**	250,273,122
Investments	8	**712,070,999**	958,144,716
Deferred tax assets	16	**--**	5,187,405
Non-current assets		**983,885,222**	1,217,398,332
Account receivables, net	7	**223,588,303**	244,231,098
Investments	8	**91,160,031**	--
Prepaid expenses and other current assets	9	**9,687,494**	8,069,569
Cash and cash equivalents	10	**263,832,791**	139,337,977
Current assets		**588,268,619**	391,638,644
TOTAL ASSETS		**1,572,153,841**	1,609,036,976
EQUITY AND LIABILITIES			
Share capital	12	**852,735,000**	852,735,000
Statutory reserve	12	**255,820,500**	255,820,500
Retained earnings		**281,422,026**	265,759,367
Total equity		**1,389,977,526**	1,374,314,867
Liabilities			
Defined benefit obligation	13	**23,694,435**	20,376,965
Deferred tax liabilities	16	**1,073,807**	--
Share-based payment obligation	14	**29,552,735**	33,534,094
Non-current liabilities		**54,320,977**	53,911,059
Other payables and accruals	15	**99,842,501**	72,319,317
Zakat and tax payable	16	**28,012,837**	27,171,338
Subsidiary's equity obligations	28	**--**	81,320,395
Current liabilities		**127,855,338**	180,811,050
Total liabilities		**182,176,315**	234,722,109
TOTAL EQUITY AND LIABILITIES		**1,572,153,841**	1,609,036,976

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2019

	Notes	2019	2018
REVENUES		**SAR**	**SAR**
Asset management and subscription fees	19	**268,775,827**	200,791,803
Investment banking income	20	**41,989,802**	5,924,153
Brokerage income		**5,898,949**	3,381,431
Special commission income		**5,205,878**	9,574,371
Dividend income		**26,449,629**	15,226,212
Re-measurement of fair value of investments, net	…	**49,625,357**	(262,092,884)
Realised (loss) / gain on investments, net		**(17,745,035)**	7,689,787
		380,200,407	(19,505,127)
EXPENSES			
Salaries and employee related expenses	21	**(191,356,066)**	(33,020,014)
Depreciation and amortization expense	4 , 5	**(1,896,604)**	(1,842,113)
Rent and premises related expenses		**(4,905,478)**	(4,665,830)
Special commission expense on borrowings		**--**	(3,688,845)
Other general and administrative expenses	22	**(39,301,140)**	(37,871,747)
Re-measurement of loss allowance, net	25.1	**(45,871,677)**	4,505,510
		(283,330,965)	(76,583,039)
TOTAL OPERATING PROFIT / (LOSS)		**96,869,442**	(96,088,166)
Share in income / (loss) of equity-accounted investee	6	**18,969,061**	(35,783,140)
Other income		**713,093**	610,991
Non-operating income / (loss)		**19,682,154**	(35,172,149)
Net profit / (loss) for the year before zakat and tax		**116,551,596**	(131,260,315)
Zakat and tax	16	**(14,721,288)**	(21,677,742)
Net profit / (loss) for the year after zakat and tax		**101,830,308**	(152,938,057)
Loss attributable to subsidiary's equity obligation		**--**	(27,506)
NET PROFIT / (LOSS) FOR THE YEAR		**101,830,308**	(152,910,551)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Actuarial loss on defined benefit obligation	13	**(894,149)**	(746,354)
TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(894,149)**	(746,354)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**100,936,159**	(153,656,905)

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

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Notes	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
		SAR	SAR	SAR	SAR	SAR
Balance as at 1 January 2019		**852,735,000**	**255,820,500**	**--**	**265,759,367**	**1,374,314,867**
Net profit for the year		**--**	**--**	**--**	**101,830,308**	**101,830,308**
Other comprehensive loss		**--**	**--**	**--**	**(894,149)**	**(894,149)**
Dividend	12	**--**	**--**	**--**	**(85,273,500)**	**(85,273,500)**
Balance as at 31 December 2019		**852,735,000**	**255,820,500**	**--**	**281,422,026**	**1,389,977,526**
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		--	--	(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 income		--	--	--	(746,354)	(746,354)
Transfer from statutory reserve		--	(69,642,254)	--	69,642,254	--
Dividend	12	--	--	--	(85,273,500)	(85,273,500)
Restated balance as at 31 December 2018		852,735,000	255,820,500	--	265,759,367	1,374,314,867

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

Consolidated Statement of Cashflows for the Year Ended 31 December 2019

	Notes	2019	2018
OPERATING ACTIVITIES		**SAR**	**SAR**
Net income / (loss) for the year before Zakat and tax		**116,551,596**	(131,260,315)
Adjustments for:			
Share in (income) / loss of equity-accounted investee	6	**(18,969,061)**	35,783,140
Depreciation and amortization	4, 5	**1,896,604**	1,842,113
Defined benefit obligation expense	13	**4,306,094**	3,786,383
Re-measurement of loss allowance, net	25	**45,871,677**	(4,505,510)
Share-based payment expense	21	**14,615,287**	3,540,656
Realised loss / (gain) on investments, net		**17,745,035**	(7,689,787)
Re-measurement of fair value of investments, net		**(49,625,357)**	262,092,884
Special commission income		**(5,205,878)**	(9,574,371)
Changes in operating assets and liabilities			
Account receivables		**(25,751,170)**	65,545,696
Prepaid expenses and other current assets		**(1,617,925)**	(1,531,146)
Other payables and accruals		**27,523,184**	(62,849,386)
Cash generated from operating activities		**127,340,086**	155,180,357
Special commission received		**5,045,847**	9,569,756
Defined benefit obligation paid		**(1,882,773)**	(1,363,170)
Share-based payments		**(18,596,646)**	(20,504,373)
Zakat and tax paid	16	**(7,618,577)**	(8,010,720)
Net cash generated from operating activities		**104,287,937**	134,871,850
INVESTING ACTIVITIES			
Proceeds from sale of investments at fair value through profit or loss / held for trading investments		**272,480,490**	455,484,688
Proceeds from disposal of subsidiary	28	**71,250,000**	--
Acquisition of property and equipment and intangibles		**(675,555)**	(569,254)
Acquisition of investments at fair value through profit or loss		**(51,499,999)**	(241,449,259)
Acquisition of subsidiary, net of cash acquired	27	**(93,792,005)**	--
Purchase of Murabaha deposits		**(91,000,000)**	--
Net cash generated from investing activities		**106,762,931**	213,466,175
FINANCING ACTIVITIES			
Subsidiary's equity obligation		**(1,282,554)**	(94,068,709)
Repayment of bank facilities		**--**	(290,240,821)
Dividend paid	12	**(85,273,500)**	(85,273,500)
Net cash used in financing activities		**(86,556,054)**	(469,583,030)
Net increase / (decrease) in cash and cash equivalents		**124,494,814**	(121,245,005)
Cash and cash equivalents at beginning of the year		**139,337,977**	260,216,878
Cash acquired from acquisition of subsidiary		**--**	366,104
Cash and cash equivalents at end of the year	10	**263,832,791**	139,337,977

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 31 December 2019

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 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.

The Company has investments which have been classified as subsidiaries. These consolidated financial statements ("financial statements") as at 31 December 2019 comprises of financial statements of the Company and its subsidiaries ("the Group"). The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

Name of subsidiary	Holding percentage(%)
Jadwa Investment DIFC Limited ("DIFCL")	100
Jadwa International PE Fund, L.P ("PE Fund")	100

DIFCL is incorporated as a private company under the Companies Law, Dubai International Financial Centre ("the DIFC") Law No. 5 of 2018 and registered in DIFC, United Arab Emirates under Registration Number 3318. The principal activities of the DIFCL are advising on financial products, arranging credit and advising on credit, arranging deals in investments and managing assets as per the Commercial License of the DIFC.

PE Fund is an exempted limited partnership established pursuant to and in accordance with the Exempted Limited Partnership Law ("ELP) 2014 of the Cayman Islands and registered in the Cayman Islands on 16 June 2016. The Partnership may engage in any lawful activity for which exempted limited partnerships may be formed under the ELP Law.

The Company had investment in Jadwa Global Sukuk Fund which was classified as subsidiary as at 31 March 2018. However the investment has been disposed off on 17 March 2019 ("Disposal date") as further detailed in Note 28.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 the Saudi Organisation for Certified Public Accountants ("SOCPA").

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 Group. 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 2.4.3)
- Liabilities for cash-settled share-based payment arrangements (Note 3.11(b))
- Determination of control over investment funds (Note 2.4.4)

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 25.1.

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.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 Group. 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 Group 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 Group 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.

Defined benefits obligations – employees' end of service benefits
The Company operates a defined benefit plan under the Saudi Arabian Labor Law based on employees› accumulated periods of service at the date of the statement of financial position. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method as per IAS 19 using actuarial assumptions based on market expectations at the date of statement of financial position.

Determination of control over investment funds
The Company acts as a Fund Manager for a number of mutual funds. Determining whether the Company controls such a mutual fund usually focuses on the assessment of its aggregate economic interests of the Company in the Fund (comprising any carried profits and expected management fees) and the investors' rights to remove the Fund Manager. As a result, the Company has concluded that it acts as an agent for the investors in all cases except for the PE fund as given in note 1.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 and effective

The Group has adopted IFRS 16 Leases from 1 January 2019; there are also amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2019. Adoption of IFRS 16 and other amendments did not require retrospective adjustments; however, there are changes in accounting policies due to adoption of IFRS 16 which are mentioned below.

Adoption of IFRS 16 – Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains unchanged – i.e. lessors continue to classify leases as finance or operating leases.

Policy applicable from 1 January 2019

Initial recognition
Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ii. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Subsequent measurement

Right-of-use assets
The Group applies the cost model, and measures right-of-use assets at initial recognition value:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability
After the commencement date, the Group measures the lease liability by:
a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Policy applicable before 1 January 2019

Determine whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group 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 Group 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 Group's incremental borrowing rate.

Leased assets
Leases of property and equipment that transfer to the Group 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 Group's financial statements.

Leased payments
Payments made under operating leases are recognized in consolidated statement of profit or loss 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.

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 Group 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.

3.2 New standards or amendments issued not yet effective and not early adopted by the Group

The following amended standards and interpretations are not yet effective and not early adopted by the Group:
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

When adopted, these amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

3.3 Financial instruments

Classification and measurement of financial assets
On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (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 Group 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 Group 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 Group;
- 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 Group›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 Group›s original expectations, the Group 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 Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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 Group changes its business model for managing financial assets.

Classification of financial liabilities
The Group classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

Impairment of financial assets
The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its receivable balances carried at amortised cost. The Group 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 Group is exposed to credit risk.

The Group considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 25.1.

De-recognition
The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 Group is recognized as a separate asset or liability.

In transactions in which the Group 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 Group 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.

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.

3.4 Revenue from contracts with customers

The Group 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 Group 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 Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Group 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 Group attributes the revenue from management fees to the services provided during the year, because the fee relates specifically to the Group’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.

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

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.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

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

3.5 Principles of consolidation and equity accounting

Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. 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 Group. The Group 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 income / (loss) for the year after zakat and tax".

Equity-accounted investee
The Group's interests in equity-accounted investee comprise interest in an associate.

Associates are those entities in which the Group 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 Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group'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.

When the Group'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 Group has a corresponding obligation.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.

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 Group treats transactions with subsidiary's equity obligation that do not result in a loss of control as transactions with equity owners of the Group. 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 Group 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 Group 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 Group 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

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised gains arising from transactions with equityaccounted investees are eliminated against the investment to the extent of the Group'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.

3.6 Cash and cash equivalents

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

3.7 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 Group 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:

	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

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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 Group'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 Group 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 Group'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 Group 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 ("IAS 19").

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 its 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 Group 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 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 Group; 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 Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' operating results are reviewed regularly by the Group'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 Group'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 Group 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 Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4. PROPERTY AND EQUIPMENT, NET

	For the year ended 31 December 2019					
	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improve-ments	Total
Cost:						
Balance as at 1 January 2019	**20,825,476**	**5,728,748**	**4,788,828**	**395,970**	**11,667,402**	**43,406,424**
Additions	**143,457**	**152,554**	**72,256**	--	**119,507**	**487,774**
Disposals	**(17,497)**	--	--	--	--	**(17,497)**
Balance as at 31 December 2019	**20,951,436**	**5,881,302**	**4,861,084**	**395,970**	**11,786,909**	**43,876,701**
Accumulated depreciation:						
Balance as at 1 January 2019	**19,571,505**	**5,432,808**	**4,740,577**	**278,970**	**9,870,925**	**39,894,785**
Charge for the year	**986,834**	**161,203**	**27,185**	--	**589,101**	**1,764,323**
Disposals	**(17,497)**	--	--	--	--	**(17,497)**
`						
Balance as at 31 December 2019	**20,540,842**	**5,594,011**	**4,767,762**	**278,970**	**10,460,026**	**41,641,611**
Net book value at:						
31 December 2019	**410,594**	**287,291**	**93,322**	**117,000**	**1,326,883**	**2,235,090**

These include fully depreciated assets amounting to SAR 37.0 million (31 December 2018: SAR 33.7 million).

	For the year ended 31 December 2018						
	Computer equipment	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improve-ments	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
1 January 2018	1,141,267	79,723	44,053	117,000	1,601,128	275,570	3,258,741

5. INTANGIBLE ASSETS

	For the year ended 31 December	
	2019	2018
Cost:		
Balance at beginning of the year	**14,078,755**	13,789,896
Additions	**187,781**	288,859
Balance at end of the year	**14,266,536**	14,078,755
Accumulated amortization:		
Balance at beginning of the year	**13,797,305**	13,578,493
Charge for the year	**132,281**	218,812
Balance at end of the year	**13,929,586**	13,797,305
Net book value as at the end of the year	**336,950**	281,450

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

6. EQUITY-ACCOUNTED INVESTEE

Name of entity	Principle place of business	% of ownership interest	31 December 2019	31 December 2018
Jadwa Industrial Investment Company	Saudi Arabia	30	**269,242,183**	250,273,122

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 2019, the Company had an outstanding commitment in the form of a letter of guarantee on loan obtained by the Associate. The Group's proportionate share of the above commitment is SAR 201.3 million (31 December 2018: SAR 201.3 million).

During the current year, the Associate has been granted an interest-free on demand loan by its shareholders on a pro-rata basis. The Company's share in the loan and its outstanding balance as at 31 December 2019 is SAR 13.8 million.

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 2019 (Audited)	31 December 2018 (Audited)
	SAR in 000	
Total current assets	**16,154**	4,484
Total non-current assets	**1,621,519**	1,512,762
Total current liabilities	**740,199**	683,003
Net assets (100%)	**897,474**	834,243
The Group's share of net assets (30%)	**269,242**	250,273

	For the year ended 31 December	
	2019 (Audited)	2018 (Audited)
	SAR in 000	
Total operating income / (loss)	**104,785**	(85,593)
Net income / (loss) for the year	**63,231**	(119,202)
Total comprehensive income / (loss) (100%)	**63,231**	(119,202)
The Group's share of total comprehensive income/ (loss) (30%)	**18,969**	(35,783)

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

7. ACCOUNT RECEIVABLES, NET

	31 December 2019	31 December 2018
Due from related parties	**182,242,896**	230,611,161
Due from third parties	**48,466,388**	22,540,073
Expected credit loss allowance	**(7,120,981)**	(8,920,136)
	223,588,303	244,231,098

7.1 Information about the Group's exposure to credit risk and impairment losses for account receivables is included in note 25.1.

8. INVESTMENTS

	Note	31 December 2019	31 December 2018
Non-current:			
FVTPL	8.1	**712,070,999**	958,144,716
Current:			
Murabaha placements	8.2	**91,160,031**	--
		803,231,030	958,144,716

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

	31 December 2019		31 December 2018	
	Cost	Fair value	Cost	Fair value
Open-ended fund – Units	**7,031,064**	**7,244,857**	75,000,000	76,254,558
Debt securities (Sukuk)	**--**	**--**	161,300,210	157,024,741
Close-ended funds – Units	**778,883,470**	**704,810,323**	897,184,901	723,515,001
Equity	**28,330**	**15,819**	1,509,875	1,350,416
	785,942,864	**712,070,999**	1,134,994,986	958,144,716

8.2 These placements have an original maturity of more than three months and carry an average yield of 2.19% per annum.

9. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	Note	31 December 2019	31 December 2018
Prepaid software maintenance		**2,769,358**	2,661,085
Advances to employees		**3,880,172**	654,151
Prepaid rent		**718,371**	2,741,299
Prepaid insurance		**895,469**	1,018,034
Others	9.1	**1,424,124**	995,000
		9,687,494	8,069,569

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

9.1 This includes margin deposit of SAR 0.9 million (31 December 2018: 0.9 million) placed with a local Saudi bank, having a "A-" credit rating, for the purpose of issuance of a letter of guarantee.

10. CASH AND CASH EQUIVALENTS

	Note	31 December 2019	31 December 2018
Cash at bank - current accounts		**33,087,960**	82,083,337
Murabaha deposits	10.1	**230,744,831**	57,254,640
		263,832,791	139,337,977

10.1 Murabaha deposits are made for varying periods ranging from one day to three months depending on the liquidity requirements of the Group carrying an average yield of 2.14% (31 December 2018: 3.13%) per annum.

11. RELATED PARTY TRANSACTIONS

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

During the year, the Group transacted with related parties in the normal course of business. The significant transactions with related parties and the related amounts other than those disclosed elsewhere in these consolidated financial statements are as follows:

Related party	Nature of transaction	For the year ended 31 December 2019	2018
Funds under management	- Asset management and subscription fee	**113,938,729**	138,633,745
	- Investment banking	**15,000,000**	--
	- Acquisition of investments at FVTPL	**145,292,005**	167,125,140
	- Disposal of investments at FVTPL	**362,397,062**	253,443,033
	- Expenses incurred on behalf of managed funds	**7,256,948**	6,582,164
	- Dividend income	**26,235,184**	14,920,311
Board of Directors	- Remuneration [a]	**2,450,000**	3,000,000
The Associate	- Service fee [b]	**1,575,000**	1,575,000
	- Expenses incurred on behalf of the Associate	**2,396,870**	1,748,973

Nature of balance	31 December 2019	31 December 2018
Funds under management:		
Investments at FVTPL	**618,263,175**	797,446,340
Due from related parties:		
- Fees receivable from managed funds	**143,347,906**	209,357,020
- Other receivables from managed funds	**20,911,112**	18,929,996
- Transaction fee receivable	**--**	2,112,016
- Service fee and expenses receivable from equity-accounted investee (b)	**17,983,878**	212,129
	182,242,896	230,611,161

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

a) This includes annual fee paid to the Board members amounting to SAR 375,000 each (2018: SAR 375,000).
b) Fee charged to an equity-accounted investee for providing management services in accordance with a service level agreement.

Key management personnelare 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Salaries and allowances	**11,160,029**	10,363,876	**144,000**	112,000	**11,304,029**	10,475,876
Annual fee	**--**	--	**2,450,000**	3,000,000	**2,450,000**	3,000,000
Other employee related expenses	**16,319,755**	11,912,875	**--**	--	**16,319,755**	5,403,667
Defined benefit obligations	**746,622**	789,322	**--**	--	**746,622**	789,322
	28,266,406	23,066,073	**2,594,000**	3,112,000	**30,820,406**	19,668,865
Defined benefit obligations – balance	**5,336,931**	5,308,536	**--**	--	**5,336,931**	5,308,536
Number of persons	**6**	6	**8**	8	**14**	14

The Group 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 Group.

12. SHARE CAPITAL AND STATUTORY 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, 2018: 85,273,500 million shares of SAR 10 each).

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.

As at 31 December 2019, the statutory reserve was in compliance with the above specified threshold. Hence, no transfers were made.

Dividends
During the year 2019, the shareholders in their Annual General Assembly meeting held on Shabaan 25, 1440 (corresponding to 25 April 2019) approved the distribution of dividends amounting to SAR 85.273 million (31 December 2018: SAR 85.273 million) from the retained earnings at SAR 1 per share.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

13. DEFINED BENEFIT OBLIGATION

The movement in provision for defined benefit obligation is as follows:

	For the year ended 31 December	
	2019	**2018**
Balance at beginning of the year	**20,376,965**	17,207,398
Current service cost	**3,577,260**	3,290,609
Interest on defined benefit obligation	**728,834**	495,774
Amount recognised in the consolidated statement of profit or loss	**4,306,094**	3,786,383
Actuarial loss recognized in other comprehensive income	**894,149**	746,354
Benefits paid during the year	**(1,882,773)**	(1,363,170)
Balance at the end of the year	**23,694,435**	20,376,965

13.1 Principal actuarial assumptions

	31 December 2019	**31 December 2018**
Discount rate used (%)	**2.7**	3.75
Future growth in salary (%)	**1.7**	2.75
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 IAS 19, 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 2.7% (2018: 3.75%) has been assumed as the long-term salary growth rate and is broadly consistent with the benchmark salary increment rate of the Kingdom of Saudi Arabia.

Mortality, Withdrawal, Disability Retirement Rates

The mortality rates used for active employees are based on latest mortality table issued by Institute of Actuaries of India for assured lives (IALM 2012-14) to represent the mortality during the active lifetime of employees.

The rates for withdrawal from service are based on industry/country and company's past experience. The rates for retirement on ill-health grounds are based on industry/country experience.

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 2019		**31 December 2018**	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate ± 1%	**(21,275,099)**	**26,599,132**	(15,378,294)	19,394,506
Future salary growth ± 1%	**26,572,889**	**(21,231,290)**	19,235,455	(15,345,205)

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

13.2 Risk associated with defined benefit plans

Longevity risks
The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

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.

14. 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 Company multiplied 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 value at the measurement date of the obligation were as follows:

Fair value	17.5
Book value	16.3
Expected volatility	7.9%
Expected dividends	5.7%
Risk-free interest rate	2.7%

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 risk free interest rate is based on US dollar market yields.

During the year, the Company made payments of SAR 18.6 million (31 December 2018: SAR 20.1 million) on redemptions of shares by employees.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

15. OTHER PAYABLES AND ACCRUALS

	31 December 2019	31 December 2018
Accrued employees' benefits	**79,731,175**	47,107,165
Other accrued liabilities	**8,947,755**	8,455,205
Rebates	**3,235,320**	10,438,025
Value added tax payable	**5,453,671**	971,887
Accrued transaction expenses	**933,990**	3,784,994
Account payables	**1,540,590**	1,562,041
	99,842,501	72,319,317

16. ZAKAT AND TAX

16.1 Charge to the consolidated statement of profit or loss

	For the year ended 31 December	
	2019	2018
Zakat for the year, net	**7,386,964**	7,934,105
Zakat adjustment for prior years	**--**	16,384,541
Income tax for the year	**1,073,112**	2,720,642
Deferred tax charge / (reversal) for the year	**6,261,212**	(5,361,546)
	14,721,288	21,677,742

16.2 The movement in zakat and tax payable is as follows:

		For the year ended 31 December	
	Notes	2019	2018
Balance at beginning of the year		**27,171,338**	9,819,115
Zakat charge for the year, net		**7,386,964**	7,934,105
Income tax charge for the year	16.4	**1,073,112**	2,720,642
Zakat adjustment for prior years	16.5	**--**	16,384,541
Adjustment against advance payments		**--**	(1,676,345)
Payments made during the year		**(7,618,577)**	(8,010,720)
Balance at end of the year		**28,012,837**	27,171,338

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

16.3 Zakat

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

	31 December 2019	31 December 2018
Share capital	**852,735,000**	852,735,000
Statutory reserve	**255,820,500**	325,462,173
Retained earnings	**265,759,367**	154,135,429
Investments	**(912,718,765)**	(1,003,957,340)
Property and equipment	**(2,235,090)**	(23,895,878)
Repairs and maintenance expense	**(2,439,772)**	--
Provisions	**47,050,707**	17,846,353
Adjusted net income	**52,042,303**	131,941,919
Dividends paid	**(85,273,500)**	(85,273,500)
Dividend received from investment in share of Saudi companies	**--**	(15,148,503)
Zakat base	**470,740,750**	353,845,653

	For the year ended 31 December	
	2019	2018
Saudi shareholders' adjusted net income / Zakat base, whichever is higher	422,207,379	317,364,166
Zakat charge for the year (2.5%)	10,555,184	7,934,105

16.4 Income tax

	For the year ended 31 December	
Current tax	2019	2018
Basis / adjusted net income non-Saudi shareholders	**5,365,561**	13,603,212
Income tax charge for the year (20%)	**1,073,112**	2,720,642

16.5 The Company has filed its Zakat returns with the GAZT financial years up to and including the year 2018. 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". The management had filed appeal with the Preliminary Appeal Committee (PAC) which has been rejected. However, management had filed another appeal during the year with Tax Violations and Disputes Resolution Committees (TVDRC) and is confident of a favorable outcome. However, the Company has maintained provision for certain amounts which represents the Company's best estimates of its liability towards GAZT in relation to the above mentioned assessment years.

The assessments for the years 2015 to 2018 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.

16.6 Deferred tax assets / (liabilities)

	For the year ended 31 December 2019			
	Net balance as at 1 January	Recognized in profit or loss account	Recognized in other comprehensive income	Deferred tax assets /(liability)
Property and Equipment, net	**414,520**	**(42,586)**	**--**	**371,934**
Account receivables, net	**183,933**	**(46,932)**	**--**	**137,001**
Investments at FVTPL	**3,477,307**	**(2,012,062)**	**--**	**1,465,245**
Defined benefits obligation	**420,172**	**68,406**	**--**	**488,578**
Share-based payment obligation	**691,473**	**(82,096)**	**--**	**609,377**
Equity-accounted investee	**--**	**(4,145,942)**	**--**	**(4,145,942)**
	5,187,405	**(6,261,212)**	**--**	**(1,073,807)**

	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.

17. CLIENTS' CASH ACCOUNTS

At 31 December 2019, the Company was holding clients' cash accounts amounting to SAR 1,345.95 million (2018: SAR 672.57 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.

18. 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 23.29 billion as at 31 December 2019 (2018: SAR 25.52 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.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

19. ASSET MANAGEMENT AND SUBSCRIPTION FEES

		For the year ended 31 December	
	Note	**2019**	**2018**
Management fee		**169,116,723**	188,155,821
Carry fee	19.1	**82,035,583**	--
Performance fee		**17,066,657**	1,881,084
Subscription fee		**556,864**	10,754,898
		268,775,827	200,791,803

19.1 During the current year, the Company received carry fee on sale of an underlying investment of a private equity fund managed by the Company as per terms and conditions of the Fund.

20. INVESTMENT BANKING INCOME

		For the year ended 31 December	
	Note	**2019**	**2018**
Arrangement fee	20.1	**15,000,000**	--
Advisory fee		**26,848,342**	5,777,778
Others		**141,460**	146,375
		41,989,802	5,924,153

20.1 During the current year, the Company received arrangement fee on launch of a private equity fund managed by the Company as per terms and conditions of the Fund.

21. SALARIES AND EMPLOYEE RELATED EXPENSES

		For the year ended 31 December	
	Notes	**2019**	**2018**
Salaries and allowances		**61,164,569**	59,336,427
Other employee related expenses	21.1	**111,270,116**	(33,643,452)
Share-based payment expense	14	**14,615,287**	3,540,656
Defined benefit obligation expense	13	**4,306,094**	3,786,383
		191,356,066	33,020,014

21.1 This includes an amount transferred to a custodial account which was created to hold employee's (including certain key management personnel) portion of the carry fee in accordance with the incentive programs documentation.

22. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2019	**2018**
Professional fee	**10,503,895**	6,027,153
Subscription fee	**6,262,685**	5,805,132
Travel expense	**5,168,991**	4,601,253
Repairs and maintenance expenses	**4,711,703**	5,419,016
Outsourced staff	**3,467,110**	2,966,921
Board of directors expense	**2,450,000**	3,000,000
Meeting expense	**1,078,316**	935,953
Withholding tax	**1,021,187**	842,111
Telecommunication expense	**858,162**	1,192,367
Publication, printing and stationery	**666,959**	1,167,293
Utilities	**567,910**	477,077
Insurance expense	**309,490**	193,753
Conference expense	**91,005**	90,546
Advertisement expense	**4,991**	541,236
Others	**2,138,736**	4,611,936
	39,301,140	37,871,747

23. 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.

Financial assets measured at fair value	31 December 2019				
	Carrying value	Level 1	Level 2	Level 3	Total
Investments at FVTPL					
- Open-ended funds	**7,244,857**	**--**	**7,244,857**	**--**	**7,244,857**
- Close-ended funds	**704,810,323**	**100,180,640**	**--**	**604,629,683**	**704,810,323**
- Equity shares	**15,819**	**15,819**	**--**	**--**	**15,819**
	712,070,999	**100,196,459**	**7,244,857**	**604,629,683**	**712,070,999**

Financial assets measured at fair value	31 December 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
Investments at 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	199,715,799	76,254,558	682,174,359	958,144,716

All fair value measurements disclosed are recurring fair value measurements.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

The Group values debt securities (Sukuk) 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.

The fair value of investments classified within Level 2 is determined 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 and unquoted sukuk.

Fair value of investments in units private equity funds are estimated using the market comparison, discounted cash flows and other methods (depending on the respective funds and its underlying investments). Valuation exercise is conducted by the management of the Group 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.

Fair value of sukuk is estimated using the market comparison / discounted cash flows technique. 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. Fair values of units of private equity funds are determined using unadjusted net asset value.

The following table summarizes the movement of the Level 3 fair values for the year ended December 31, 2019:

	For the year ended 31 December	
	2019	**2018**
Carrying value at the beginning of the year	**682,174,359**	935,968,078
Investments purchased or acquired from subsidiary control	**120,292,005**	54,037,336
Investments sold or lost from disposal of subsidiary	**(224,887,954)**	(55,707,744)
Re-measurement of fair value of investments, net	**27,051,273**	(252,123,311)
Carrying value at the end of the year	**604,629,683**	682,174,359

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 years ended 31 December 2019 and 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	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation
Debt securities (Sukuk)	38,801,468	Cost of Capital	4.51%	0.50%	(62,084)
		Probability of default	0.03%	0.04%	(16,284)

The carrying amounts and fair values of financial instruments not measured at fair value, are not significantly different from the carrying values included in these financial statements.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

24. OPERATING SEGMENTS

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group 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 Group and acts as principal and agent, providing custody and clearing services to clients, providing access to regional exchanges.

Asset management services
The Group's asset management offers investors gateways into the gulf cooperation council, Arab stock markets, and conventional equity and shariah compliant investment funds using both active and passive management styles. In addition, the Group 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 2019				
	Reportable segments				
	Investment Banking	**Brokerage**	**Asset Management Services**	**Corporate**	**Total**
Segment revenue	**41,989,802**	**5,898,949**	**268,775,827**	**63,535,829**	**380,200,407**
Salaries and employee related expenses	**(39,832,758)**	**(8,212,733)**	**(81,011,611)**	**(62,298,964)**	**(191,356,066)**
Depreciation and amortization expense	**(223,420)**	**(85,596)**	**(385,135)**	**(1,202,453)**	**(1,896,604)**
Rent and premises related expenses	**(859,055)**	**(45,002)**	**(1,041,951)**	**(2,959,470)**	**(4,905,478)**
Other general and administrative expenses	**--**	**--**	**(385,135)**	**(38,916,005)**	**(39,301,140)**
Re-measurement of loss allowance, net	**--**	**--**	**(45,871,677)**	**--**	**(45,871,677)**
Share in earnings of equity accounted associate	**--**	**--**	**--**	**18,969,061**	**18,969,061**
Other income	**--**	**--**	**--**	**713,093**	**713,093**
	(40,915,233)	**(8,343,331)**	**(128,695,509)**	**(85,694,738)**	**(263,648,811)**
Segment net (loss) / income	**1,074,569**	**(2,444,382)**	**140,080,318**	**(22,158,909)**	**116,551,596**
Segment assets	**20,325,764**	**666,204**	**203,340,967**	**1,347,820,906**	**1,572,153,841**
Segment liabilities	**27,919,817**	**1,330,181**	**43,365,741**	**109,560,576**	**182,176,315**

	31 December 2018				
	Reportable segments				
	Investment Banking	Brokerage	Asset Management Services	Corporate	Total
Segment revenue	5,924,153	3,381,431	200,791,803	(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)
Re-measurement of loss allowance, net	--	--	4,505,510	--	4,505,510
Share in earnings of equity accounted associate	--	--	--	(35,783,140)	(35,783,140)
Other income	--	--	--	610,991	610,991
	(12,825,131)	(4,664,717)	(26,365,585)	(67,899,755)	(111,755,188)
Segment net income	(6,900,978)	(1,283,286)	174,426,218	(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

25. RISK MANAGEMENT

The Group 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 Group 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 Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Market risk
- Liquidity risk
- Operational risk

25.1 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 Group 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 Group, including cash and cash equivalents, the Group'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 consolidated financial Statements.

	Total maximum exposure as at 31 December	
	2019	**2018**
Cash and cash equivalents	**263,832,791**	139,337,977
Accounts and other receivables	**230,709,284**	253,151,234
Investments	**91,160,031**	157,024,741
Other assets	**4,754,250**	1,649,151
	590,456,356	551,163,103

Investment team focuses on the Sharia compliant products and markets where it can comprehend the inherent risks. The Group monitors and manages credit risk of its investments with tools i.e. policy and 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 deposits

The Group 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	-	-	-	-	A3	P-2
SAMBA	-	-	A-	F-1	A1	P-1
SABB	-	-	A-	F-2	A1	P-1
Riyad	BBB+	A-2	A-	F-2	-	-
Al Rajhi	BBB+	A-2	A-	F-2	A1	P-1
Banque Saudi Fransi	BBB+	A-2	BBB+	F-2	A1	P-1
First Abu Dhabi	AA-	A-1+	AA-	F1+	Aa3	P-1

Investments at fair value through profit or loss

The Group has investments in debt securities (Sukuk) 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**
	157,024,741	**100**

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

Accounts receivables, net

The Group'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 Group also analyses 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	
	2019	**2018**
Kingdom of Saudi Arabia	**192,249,436**	228,352,603
United Kingdom	**712,686**	1,095,183
Others	**37,747,162**	23,703,448
	230,709,284	253,151,234

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	
	2019	**2018**
Close-ended mutual funds – related parties	**153,947,710**	222,506,221
Open-ended mutual funds – related parties	**8,861,308**	6,620,709
Corporate customers	**53,851,358**	18,023,723
Others	**14,048,908**	6,000,581
	230,709,284	253,151,234

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

	31 December 2018		
Economic sectors	**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

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

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
Republic of 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

Expected credit losses for account receivables as at 31 December 2019 and 31 December 2018

The Group uses an allowance matrix to measure the expected credit losses (ECLs) of account receivables, 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 2019:

31 December 2019	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0%	34,518,688	--
Past due 0 - 6 months	1%	76,668,149	993,264
Past due 6 - 12 months	1%	22,648,504	295,654
Past due 12 - 18 months	2%	21,156,269	511,693
Past due 18 - 24 months	3%	20,196,391	538,710
Past due 24 - 30 months	4%	11,939,850	423,173
Past due 30 - 36 months	4%	13,768,183	596,815
Past due 36 - 42 months	7%	10,768,500	761,391
Past due 42 - 48 months	13%	14,370,141	1,927,891
Past due 48 - 54 months	23%	3,008,500	690,172
Past due over 54 months	23%	1,666,109	382,218
		230,709,284	7,120,981

31 December 2018	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.%	22,540,073	--
Past due 0 - 6 months	2%	69,070,585	1,055,834
Past due 6 - 12 months	2%	30,008,924	466,265
Past due 12 - 18 months	3%	26,643,337	739,488
Past due 18 - 24 months	3%	24,118,000	734,722
Past due 24 - 30 months	4%	34,028,008	1,358,474
Past due 30 - 36 months	5%	18,640,951	901,614
Past due 36 - 42 months	8%	14,241,067	1,101,221
Past due 42 - 48 months	14%	8,249,516	1,187,081
Past due 48 - 54 months	25%	1,778,973	436,101
Past due over 54 months	25%	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 factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast GDP rates, which is 3.55%.

The following is the movement in the ECLs for the year ended 31 December:

	Note	For the year ended 31 December 2019	2018
Balance as at 1 January under previous GAAP		**--**	--
Adjustment on initial application of IFRS 9		**--**	13,981,840
Balance as at 1 January under IFRS 9		**8,920,136**	13,981,840
Net re-measurement of loss allowance	25.1.1	**45,871,677**	(4,505,510)
Write-off during the year		**(47,670,832)**	(556,194)
Balance as at the end of the year		**7,120,981**	8,920,136

25.1.1 The charge for re-measurement of loss allowance for the current year include SAR 47.7 million for receivable from a private equity fund managed by the Company.

25.2 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 instruments 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 Group primarily deals with Saudi Arabian Riyals.

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

	31 December 2019	
	USD	**GBP**
Investments at fair value through profit or loss	**101,036,862**	**--**
Accounts receivables, net	**--**	**712,686**
Cash and cash equivalents	**--**	**--**
Net exposure	**101,036,862**	**712,686**

	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

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.

31 December 2019	**Strengthening**	**Weakening**
USD + / - 1%	**10,384,441**	**(10,384,441)**
GBP + / - 1%	**71,269**	**(71,269)**
Net effect	**10,455,710**	**(10,455,710)**
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)

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 Group hold fixed commission debt securities (Sukuk) that expose that Group to fair vale commission rate risk. The Group also holds variable commission debt securities (Sukuk) that expose the Group to cash flow commission rate risk. The Group manage its risk exposures in order to optimize long term returns.

The portfolio managing team of the Group 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 Group is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

Exposure

A breakdown of the investments based on the type of commission rate on debt securities (Sukuk) 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 Group's commission rate gap position analyzed by the earlier of contractual re-pricing or maturity date, is as follows:

	31 December 2019			
	Not exposed to commission rate risk	Up to 3 months	3 to 6 months	Total
Investments	**803,231,030**	--	--	**803,231,030**
Accounts receivables, net	**223,588,303**	--	--	**223,588,303**
Other assets	**4,754,250**	--	--	**4,754,250**
Cash and cash equivalents	**263,832,791**	--	--	**263,832,791**
Total assets	**1,295,406,374**	--	--	**1,295,406,374**
Other payables and accruals	**90,603,836**	--	--	**90,603,836**
Total liabilities	**90,603,836**	--	--	**90,603,836**
Commission rate gap	**1,204,802,538**	--	--	**1,204,802,538**

	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	1,649,151	--	--	1,649,151
Cash and cash equivalents	139,337,977	--	--	139,337,977
Total assets	1,304,637,433	4,002,085	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	1,237,074,997	4,002,085	38,998,893	1,280,075,975

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 Group 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 (Sukuk) and other fixed commission rate bearing assets. The impact is primarily from the decrease in the fair value of fixed-income debt securities (Sukuk). 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 2019	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 Group's income for one year, based on the floating rate financial assets held as at the year-end.

	31 December 2019	31 December 2018
Increase/decrease in basis points +/- 10 bps	--	197,889

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 Group is not exposed to material equity risk with respect to its investments.

25.3 Liquidity risk

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

The Group'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 Group'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.

25.4 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 Group's activities either internally or externally at the Group'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 Group'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

26. CAPITAL REGULATORY REQUIREMENT AND CAPITAL ADEQUACY

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

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

	31 December 2019 SAR '000	31 December 2018 SAR '000
Capital Base:		
Tier-1 Capital	**1,389,641**	1,106,754
Tier-2 Capital	**--**	--
Total Capital Base	**1,389,641**	1,106,754
Minimum Capital:		
Market Risk	**19,367**	16,417
Credit Risk	**777,699**	797,137
Operational Risk	**70,833**	41,635
Total Minimum Capital	**867,899**	855,189
Surplus Capital	**521,742**	251,565
Capital Adequacy Ratio (times)	**1.60**	1.29

Tier-1 Capital: Tier 1 capital of the Group 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 Group consists of revaluation reserves related to available-for-sale investments.

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

Credit Risk: Credit exposures from non-trading activities of the Group 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 Group'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 Group is required to maintain a capital base not less than the total minimum capital of the Group. However, the Group is adequately capitalized with surplus capital over and above the minimum capital requirement of the Group.

27. ACQUISITION OF SUBSIDIARIES

The Company acquired control over the following subsidiaries during the year ended 31 December 2019:

	Jadwa International PE Fund, L.P	Jadwa Investment DIFC Limited
Mode of acquisition	Formation of fund	Incorporation of company
Reason for acquisition	Investment in venture capital funds	Establishment of sales office outside KSA
Date of acquisition	19 December 2019	22 May 2019
Percentage of the voting equity interests acquired	100%	100%

Identifiable assets acquired and liabilities assumed

The following table summarizes 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.

	Jadwa International PE Fund, L.P	Jadwa Investment DIFC Limited
Cash and cash equivalents	--	2,812,500
Investments at fair value through profit or loss	93,792,005	--
Total Assets	93,792,005	2,812,500
Total liabilities	--	--
Total identifiable net assets acquired	93,792,005	2,812,500
Subsidiary's equity obligation / non-controlling interest percentage	0%	0%
Subsidiary's equity obligation / non-controlling interest	--	--

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2019

28. DISPOSAL OF SUBSIDIARY

On 17 March 2019, the Group disposed its investment in units of Jadwa Global Sukuk Fund ("Subsidiary"), which was a fixed income fund established and managed as per terms and conditions between Jadwa Investment Company and the fund investors. The disposal was effected in order to generate cash flow for the Group's other businesses activities.

The profit for the year from the subsidiary is analysed as follows:

	For the year ended 31 December	
	2019	**2018**
Profit of Jadwa Global Sukuk Fund for the year	**1,655,522**	(44,708)

During the year, Jadwa Global Sukuk Fund contributed SAR 1.0 million (2018: SAR 7.8 million) to the group's net operating cash flows, received SAR 83.6 million (2018: 86.8 million) in respect of investing activities and paid SAR 5.0 million (2018: 94.1 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Jadwa Global Sukuk at the date of disposal and previous reporting period are disclosed below:

	17 March 2019	**31 December 2018**
Cash and cash equivalents	**80,519,961**	886,433
Accrued special commission income	**1,179,338**	1,091,409
Investments at fair value through profit or loss	**73,740,748**	157,024,741
Total Assets	**155,440,047**	159,002,583
Management fee payable	**63,607**	133,770
Accrued expenses and other current liabilities	**46,327**	39,231
Total liabilities	**109,934**	173,001
Total identifiable net assets	**155,330,113**	158,829,582
Subsidiary's equity obligation	**84,080,113**	81,320,395

	17 March 2019
Gain on disposal	
Consideration received - Cash	71,250,000
Net assets derecognized	71,250,000
	--

29. COMPARATIVE FIGURES

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

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to businesses and economic activity and may eventually impact reported amounts of Company's financial assets. Moreover, the Government of KSA has announced several initiatives to provide necessary relief and sustenance to the economy. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the Company's financial statements including expected credit losses on Company's receivable balances and fair valuation of Company's investments will be considered in the Company's financial statements for the year ending 31 December 2020.

31. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue on 2 Sha'ban 1441H, corresponding to 26 March 2020 by the Board of Directors of Jadwa Investment Company.