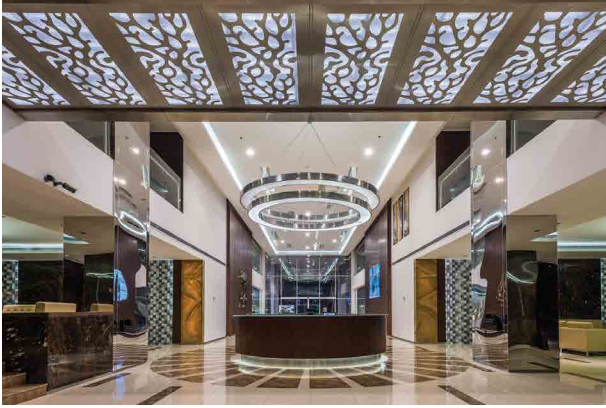


# Progress through **CHANGE**

---

amidst a new normal

# CONTENTS



## CORE ACHIEVEMENTS SIDRA CAPITAL



<b>LETTER OF CHAIRMAN</b>	<b>2</b>
<b>CEO'S MESSAGE</b>	<b>4</b>
<b>ECONOMIC OVERVIEW</b>	<b>6</b>

<b>BUSINESS OVERVIEW</b>	<b>9</b>
<ul style="list-style-type: none"><li>• About Us</li><li>• Landmark Transactions 2016</li><li>• Asset Management</li><li>• Corporate Finance and Advisory</li><li>• PR and Marketing</li><li>• Corporate Social Responsibility</li></ul>	
<b>CORPORATE PROFILE</b>	<b>16</b>
<ul style="list-style-type: none"><li>• Corporate Structure</li><li>• Board of Directors</li><li>• Senior Management</li></ul>	
<b>CORPORATE GOVERNANCE</b>	<b>22</b>
<ul style="list-style-type: none"><li>• Corporate Governance Report</li><li>• Shari'ah Advisor Report</li></ul>	
<b>FINANCIAL STATEMENTS</b>	<b>29</b>
<ul style="list-style-type: none"><li>• Independent Auditors' Report</li><li>• Balance Sheet</li><li>• Statement of Income</li><li>• Statement of Cash Flows</li><li>• Statement of Changes in Shareholders' Equity</li><li>• Notes to the Financial Statements</li><li>• Pillar III Disclosure</li></ul>	

# CORE ACHIEVEMENTS SIDRA CAPITAL

“

With strong performance,  
we have won

**9 Awards  
in 2016**



”

## Wealth & Finance Alternative Fund Awards

Best Shariah - Compliant Asset Management House 2016

## Wealth & Finance Alternative Fund Awards

Best Global Commodities Fund (Since Inception):  
Global Structured Trade Investment Sub - Fund 2016

## Global Investor ISF MENA Awards

Alternative Asset Manager of the Year 2016

## Global Investor ISF MENA Awards

Regional Real Estate Manager of the Year 2015

## Asset Asian Awards

Best Asset Management House of the Year Saudi Arabia 2015

## Asset Asian Awards

Best Real Estate Finance House 2015

## Wealth & Finance International

Shari'ah Compliant Asset Management House of the Year 2015

## Wealth & Finance International

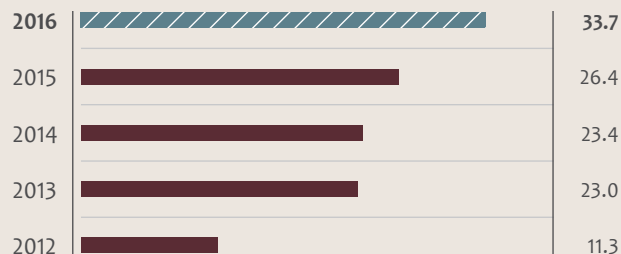
Shari'ah Compliant Real Estate Manager of the Year 2015

## IFN Islamic Investor

Best Islamic Asset Management Company in the Middle East  
2015 Awards

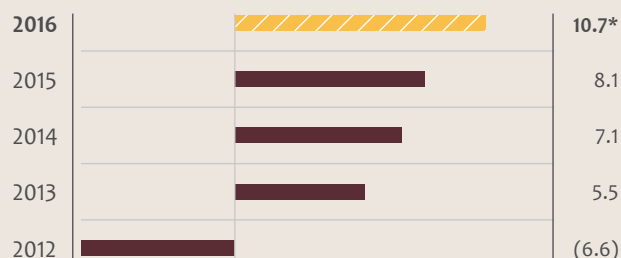
## INCOME

(SAR Million)



## NET INCOME BEFORE ZAKAT

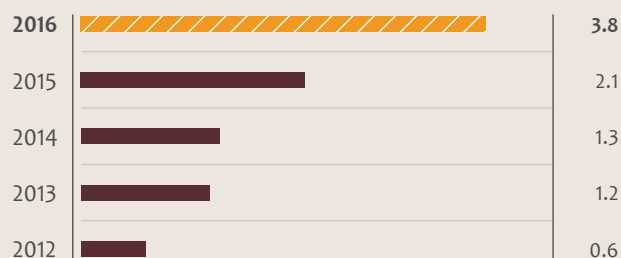
(SAR Million)



\* For comparison purposes

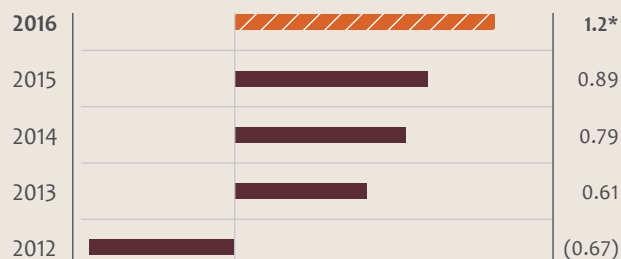
## ASSETS UNDER MANAGEMENT

(SAR Billion)



## EARNING PER SHARE

(SAR)



\* EBZ for comparison purposes

# LETTER OF CHAIRMAN



**SHEIKH AHMED  
SALEM BUGSHAN**


*Chairman of the  
Board of Directors*

## REVENUE


(SAR million)



## NET INCOME BEFORE ZAKAT

**33%**   
SAR 10.71 million

## GROWTH OF AUM (YoY)

**81%**   
SAR 3.8 billion

“

Overall, this past year was one in which we stepped even closer towards our goal of becoming a major Shari’ah compliant financial institution in the Kingdom of Saudi Arabia.

”

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Dear Shareholders,

It is with great pleasure that I present to you the Annual Report of Sidra Capital for the fiscal year 2016. This is the second consecutive year of global economic uncertainties, geopolitical turmoil as well as increasing volatility in commodity and currency markets. Nevertheless, amidst the challenges Sidra Capital consolidated its performance. This is not a given under these circumstances and is the result of the hard work of our dedicated people and the foundation we have built over the past years. Further the decision to forge ahead by expanding into known markets was taken in 2016 and we hope to see the positive outcome of this move in 2017, Inshallah.

Our revenues improved significantly by approximately 28% to SAR 33.71 million and Net Income before Zakat recorded and increase to SAR 10.71 million, an increase of 33% over 2015. The Net Income after Zakat stood at SAR 8.5 million an increase of 57% YoY.



“

**2017 looks to be a promising year with the opening of our London and Riyadh offices in the pipeline and we are cautiously optimistic in view of the external challenges affecting the company.**

”

Overall, this past year was one in which we stepped even closer towards our goal of becoming a major Shari’ah compliant financial institution in the Kingdom of Saudi Arabia.

We aim to do so by strengthening our position as a trusted financial services provider, underpinned by our core values as well as enlarging our geographical footprint in the years to come.

This is evident from the commendable growth year-on-year of our Assets Under Management (AUM) of 81% YoY to exceed SAR 3.8 billion.

Our head count increased from 23 to 28 in 2016 and we introduced our Young Saudi Professional Trainee Program to foster young Saudi talent. We are also proud to announce that we have maintained our Platinum status, in line with the Saudization efforts of the Saudi government.

Sidra Capital has never been shy in testing new waters and will continue to do so going forward. 2017 looks to be a promising year with the opening of our London and Riyadh offices in the pipeline and we are cautiously optimistic in view of the external challenges affecting the company. Let me close by thanking everyone at Sidra Capital for their hard work and dedication to the firm and congratulate them on a great year. I also extend my thanks and those of the Board to all our shareholders for their confidence and continued support.

We are aware that this will be a long journey, but we are also aware of the importance of not losing our focus along the way.

Best Regards,

**Sheikh Ahmed Salem Bugshan**

# CEO'S MESSAGE

“

One crucial decision was to introduce our Young Saudi Professional Trainee Program in order to secure young Saudi talent and implant the Sidra DNA into our young professionals from day one.

”



**Muhammad Currim Oozer, Chief Executive Officer and founding member of Sidra Capital reviews the company's significant achievements in 2016 and outlines his expectations for 2017.**

2016 was a challenging year worldwide and for the region. The Brexit and the US elections triggered fears of a new wave of protectionism and nationalism. Those fears will most likely cast their shadows in 2017 as well, with a new US President in office, the UK steering toward a hard Brexit and three major elections on their way in Europe.

Saudi Arabia's economy is still recovering from the low oil price and a lot will depend on how quickly the oil price can recover, how quickly the new reforms driven by the government will spur economic diversification within the country and how quickly the government can stem our national budget deficit.

Despite 2016 being a year full of surprises, it was a year of growth for us. We managed to grow our AUM from SAR 2.1 billion in 2015 to SAR 3.8 billion as of December 2016. Also, our revenue increased by 28% YoY to SAR 33.71 million.

**MUHAMMAD CURRIM OOZEER**

*Chief Executive Officer*

**REVENUE INCREASED IN 2016 (YoY)**

**28%** 

**SAR 33.71 million**

**SIDRA ANCILE STRUCTURED TRADE FINANCE FUND**

**9** 

**Awards**

“

**As an alternative asset manager we focus on real estate and structured trade finance. In 2016 we explored new avenues to enhance our product line for our core alternative asset classes.**

”

In 2016 we have set our focus on the future expansion of Sidra Capital and will continue to do so in 2017. Our operating expenses grew by 18% as result of our heavy investment into staff and marketing activities. One crucial decision was to introduce our Young Saudi Professional Trainee Program in order to secure young Saudi talent and implant the Sidra DNA into our young professionals from day one. We have also invested into recruiting senior staff in order to improve our in-house capabilities and to create the right balance in our team between experience and can-do-attitude of our more junior members.

As an alternative asset manager we focus on real estate and structured trade finance. In 2016 we explored new avenues to enhance our product line for our core alternative asset classes. We completed our second acquisition in the US market, acquired our largest property in the UK and launched our forth fund, Sidra Mutajara Fund.

Our efforts were also recognized by the industry and we received 9 awards for the excellent performance of our asset management team.

We are very positive that we have paved the way for further growth in 2017, despite the outlook of further market volatility locally and globally. We will heavily invest in expanding our geographical footprint.

We are in the process of opening offices in Riyadh and London and we are expecting them to be fully operational by the end of Q1.



The decision to open in Riyadh was a natural progression, in order to serve our existing client base better and expand the latter. Being active in the UK real estate market since 2012 and managing 13 projects with different partners we have decided to take our real estate business in-house. This move comes in the light of enhancing our on the ground capabilities to deploy proprietary capital allocated for investment into the UK & European markets.

Being a Saudi company we are committed to the Saudi society and like to make our contribution to make our country flourish. I have already mentioned our Young Saudi Professional Trainee Program which facilitates the integration of young Saudi graduates into the working world. We also partnered with the Disabled Children's Association for their annual fund raising event in Jeddah. The Disabled Children's Association provides comprehensive care for disabled children through a range of free therapeutic and rehabilitation services.

# ECONOMIC OVERVIEW

2016 got off to a shaky start, oil fell to USD28 per barrel and world equities sank to their lowest level since July 2013. Interest rates tumbled, and recession fears loomed.

Additionally, the sharp decline in the Renminbi put investors on notice that the Chinese economy, an engine of global growth, may be slowing at a faster pace than previously forecasted. In the summer, the UK's surprise vote to leave the EU was the first big shock of the year, which led to the resignation of Prime Minister David Cameron. By winter, Donald Trump was US president-elect which generated a major response by financial markets with higher equity prices. By the end of the year the Italian Prime Minister Renzi had lost his job and the European Central Bank extended quantitative easing until 2017.

## Global

2016 was marked as a year of global uncertainty, as a result many investors sought safety in fixed income markets, which had the effect of driving yields lower, in many cases to historic levels. Internationally, growth remained a concern as China continued to show signs of slowing, Japan's economy struggled to gain traction, and European economic growth remained muted. 2017 is expected to see the general unease that many investors currently seem to be experiencing to continue. Questions about global economic growth are likely to persist, exacerbated by the uncertainty of Brexit. The current surge in populist, anti-establishment sentiment sweeping across the globe is both powerful and unpredictable. As such, other unanticipated headline risks could spur increased market volatility. With so much uncertainty, we remain of the opinion that investors should tread prudently and opportunistically.

“

**2016 was marked as a year of global uncertainty, as a result many investors sought safety in fixed income markets, which had the effect of driving yields lower, in many cases to historic levels.**

”







## Saudi Arabia

The year started off with the announcement of the economic transformation plan “Vision 2030” has been developed to diversify Saudi Arabia away from its standard revenue sources. The non-oil government revenue is targeted to surge from SAR 163 billion to SAR 1 trillion by 2030. To start off, the Kingdom sold international bonds worth USD17.5 billion for the first time, on October 2016 recording the biggest-ever emerging market debt issue. They also announced the sale of 5% of the state-oil company Aramco to the public by 2018. According to estimates, USD100 billion is approximated to be raised - to be the largest public offering of all time, with its proceeds to be invested in an extensive range of assets around the world. Further, Saudi Arabia released an expansionary budget for 2017 after a sharp fiscal retrenchment in 2016. Investment in social areas (education and health) were highlighted for greater expenditure, with education and manpower sector receiving the largest spending allocation in 2017, equivalent to 22% of total planned expenditure, while spending on healthcare projects accounted for 12% of the total. In addition, the country aims to upturn household spending on cultural and entertainment activities inside the Kingdom from the current level of 2.9% to 6% by 2030. Moreover, the shortage in housing for nationals remains substantial and will likely continue to be targeted by the government.

“

**The country aims to upturn household spending on cultural and entertainment activities inside the Kingdom from the current level of 2.9% to 6% by 2030.**

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# ECONOMIC OVERVIEW



## UK

2016 was marked by the demand from overseas investors into UK real estate. The idea of Brexit and its potential implications have not hampered interest in fact the depreciation of sterling has made UK property look more attractive from an international perspective. Although the UK is entering 2017 from a position of relative strength, it is unclear what headwinds lie ahead with issues revolving around hard Brexit yet to be fully understood. If this air of uncertainty continues this will lead to a rise in caution and risk aversion among real estate investors in 2017, making secure income streams more highly prized among core investors globally. This is expected to benefit the UK market, where high levels of transparency and stable legal structures make real estate a safety play. For opportunistic investors the continued ultra-low interest rate environment will limit the extent to which distressed assets hit the market. These investors will instead look towards development investments, particularly mixed use opportunities linked to infrastructure improvements. The changed attitude to risk is likely to mean a less crowded market place for the value-add investor, particularly if lender caution results in tighter borrowing criteria in the development sector. In other respects, inflation measured by CPI reached its highest rate by the end of the 2016, since October 2014, to hit 1.2%. Likewise, stock markets have been bullish since the Brexit vote where FTSE 100 closed at a record high at the end of 2016 achieving a 14.4% hike during the year. 2017 continues to see further signs that consumers and businesses have shrugged off the Brexit vote, with the Bank of England revising its earlier gloomy forecasts to predict the economy would grow 2% this year - matching its 2016 performance.



## US

The highlight of 2016 was the presidential election where Hillary Clinton gained greater chances of winning the election based on the polls conducted before the voting yet, the election of Donald Trump doesn't fundamentally alter the 2017 outlook for US, specifically on the real estate. The reaction of the capital markets to the surprising electoral victory of Donald Trump was unequivocal. Rising stock prices and robust yields on US treasuries suggest that many market participants are now expecting greater economic growth. Although the rising of interest rates witnessed in December for only the second time since 2006 could cause property deals to become constrained by making real estate less affordable. It can also provide an incentive for borrowers and lenders to be more cautious in a bid to reduce risk, higher interest rates typically signal a strong economy, which tends to be associated with a strong real estate market. Along with the interest rate rise, the inflation rate slightly climbed by the end of 2016 to 2.2%, remaining around the ideal rate. Looking ahead in to 2017 the US economy is predicted to grow by 2%, despite uncertainty over the incoming Trump administration, according to the International Monetary Fund. The Trump administration is expected to increase its stimulus spending while global growth remains unchanged.

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Along with the interest rate rise, the inflation rate slightly climbed by the end of 2016 to

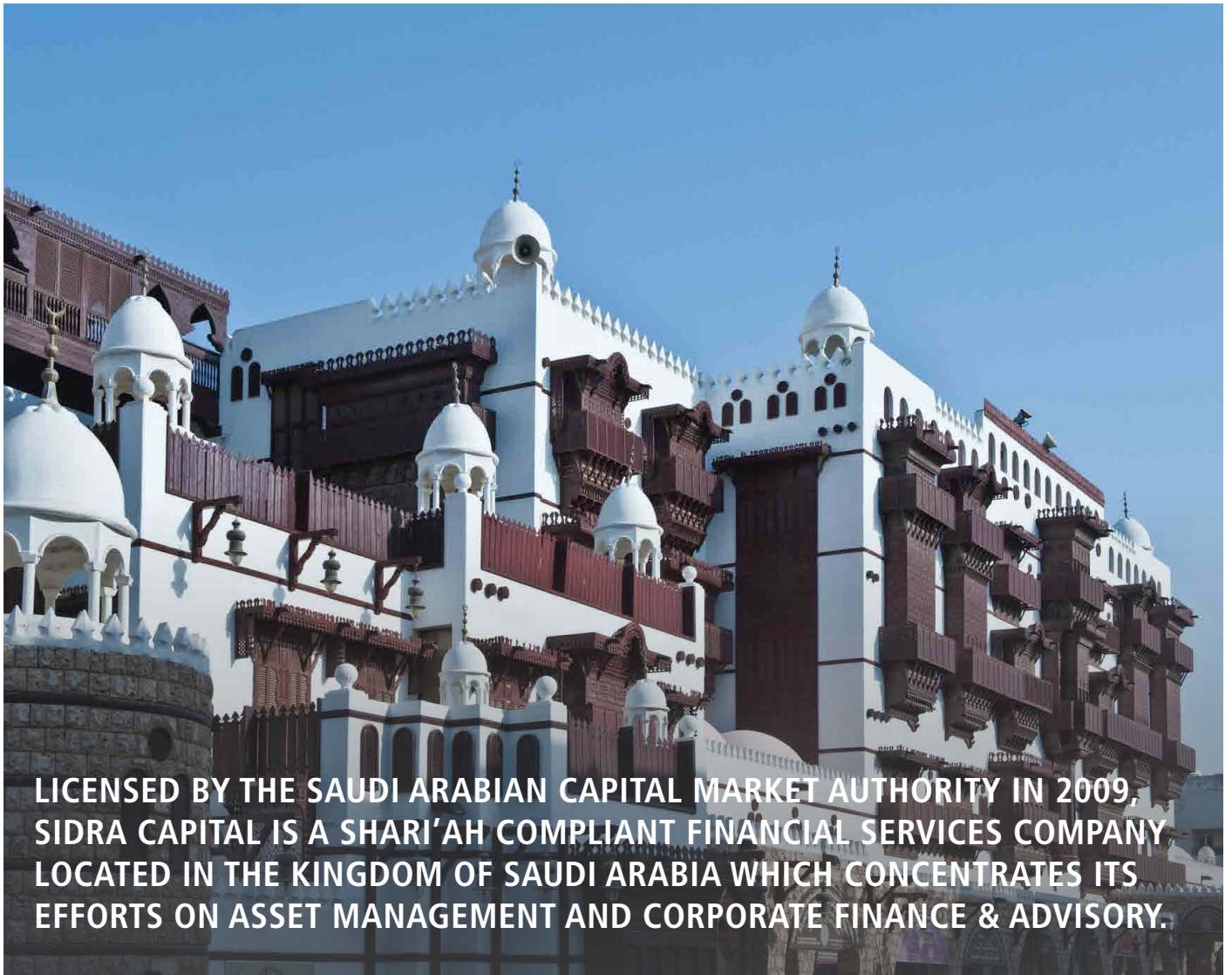
**2.2%**

remaining around the ideal rate. Looking ahead in to 2017 the US economy is predicted to grow by 2%

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# BUSINESS OVERVIEW

## ABOUT US



LICENSED BY THE SAUDI ARABIAN CAPITAL MARKET AUTHORITY IN 2009, SIDRA CAPITAL IS A SHARI'AH COMPLIANT FINANCIAL SERVICES COMPANY LOCATED IN THE KINGDOM OF SAUDI ARABIA WHICH CONCENTRATES ITS EFFORTS ON ASSET MANAGEMENT AND CORPORATE FINANCE & ADVISORY.

Our paid up capital amounts to SAR 90 million and our licenses allow us to engage in dealing (as principal & underwriter), managing, arranging, advising and custody services.

We currently manage assets exceeding SAR 3.8 billion (as of December 2016) which are all invested in alternative investments. We have a strong track record in creating innovative and award-winning products such as the Sidra Ancile Global Structured Trade Investment fund, which was the first of its kind in the Kingdom of Saudi Arabia and is currently the largest of its kind worldwide.



We currently manage assets exceeding

**SAR 3.8**  
Billion (as of December 2016)

which are all invested in alternative investments.

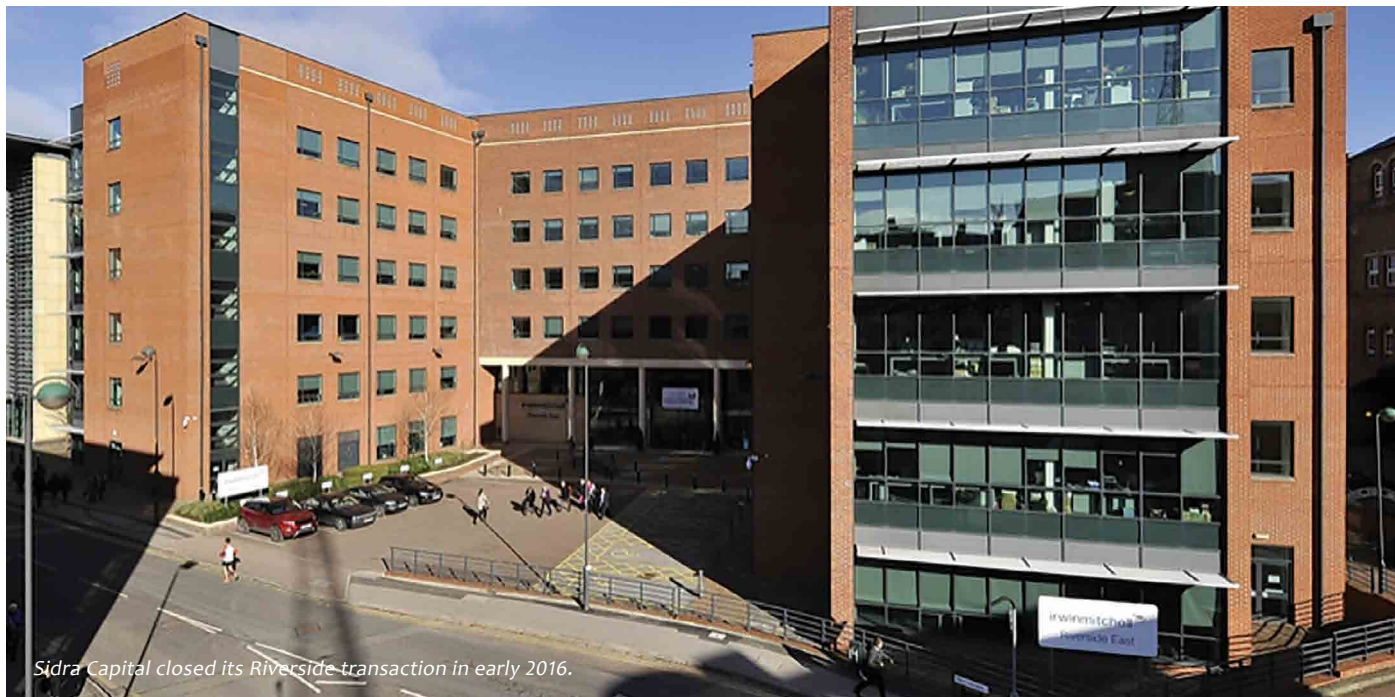


## LANDMARK TRANSACTIONS 2016

THE KINNAIRD HOUSE ACQUISITION, IN WHICH WE ACTED AS A STRATEGIC ADVISOR DID NOT ONLY REPRESENT A LANDMARK TRANSACTION FOR US BUT WAS ONE OF THE MOST TALKED ABOUT TRANSACTIONS AMONG THE UK REAL ESTATE COMMUNITY.

# BUSINESS OVERVIEW

## LANDMARK TRANSACTIONS 2016



Sidra Capital closed its Riverside transaction in early 2016.

### Exploring New Avenues in Our Product Offering

One of our most sought-after products in 2016 was the Sidra Mutajara Fund. The fund, a trade finance investment strategy, offered investors in the Kingdom of Saudi Arabia with an opportunity to enhance and diversify their current investment portfolios into trade finance strategy.

The fund's strategy combined money market investment alongside structured trade finance which results in improved risk return profile, an attractive proposition in the current market uncertainty. A first class product developed by our investment experts paired with the momentum of global economic and political uncertainties made this product very popular among our investors due to its low volatility. We decided to close the fund to new subscriptions after securing approximately USD 100 million in commitments as the initial fund capacity was reached.

### Sidra Capital Transaction Attracts Public Attention

The acquisition of Kinnaird House was probably one of the hottest topics of the year among the London real estate community and was widely publicized in the media. At the same time, it represented our largest transaction to date in terms of transacted value. This London landmark which is located at the corner of Haymarket and Pall Mall provides approximately 71,000 square feet of high quality office and restaurant space within the original retained facade.

Our first transaction in 2016, also in the UK, was the acquisition of Riverside East. Nestled on the banks of the River Don, Riverside East is a modern office building in Sheffield, fully-let to a leading UK law firm Irwin Mitchell. The property provides approximately 120,000 square feet of Grade A office accommodation and forms part of the successful Riverside Exchange regeneration area, one of Sheffield's eleven designated city center quarters.

### Other Forays

We reaffirmed our commitment and confidence in the local real estate market by acting as the advisor to a group of investors in Jeddah's mixed development project of luxury residence and retail component, Eden Residence. The project is a prime residential and retail development located in the Al-Andalus district of Jeddah and will offer 58 residential units as well as 10 retail units.

Sidra Capital was also involved in a project that gained international attention, the redevelopment of the famous Astir Palace resort just outside of Athens. After obtaining the Presidential Decree from the Hellenic Republic on the proposed redevelopment of approximately 57,000 square meter property on the Greek Riviera, we decided to co-invest alongside AGC Equity Partners via Sidra European Development Fund.

It is also worth mentioning that we have successfully invested USD 32 million in numerous private equity transactions throughout 2016 on behalf of our client.



## ASSET MANAGEMENT

**WE SET SIGHT ON GROWING THE COMPANY'S ASSETS UNDER MANAGEMENT (AUM) EVEN FURTHER IN 2016 AND WE MANAGED TO GROW OUR CURRENT AUM BY ALMOST 81% FROM SAR 2.1 BILLION IN 2015 TO APPROXIMATELY SAR 3.8 BILLION IN 2016.**

2016 had witnessed huge political earthquakes across the globe. We made the strategic decision in the recent past to diversify our product offerings and extend our geographical reach. This has enabled us to embrace the challenges and enhance our performance.

# BUSINESS OVERVIEW

## ASSET MANAGEMENT

“

We currently manage real estate investments in excess of SAR 2.5 billion which represents a 67% increase from last year.

”



In the midst of the economic crisis in 2009, we started exploring other investment products such as structured trade finance. We have remained steadfast over the past years continuously exploring new markets and asset classes allowing us to be less prone to market volatility through diversification.

Nonetheless real estate continues to be a major contributor to our success story and a significant milestone was achieved in 2016 with our involvement as a strategic advisor in Kinnaird House acquisition.

Real estate investment is still one of our pillars of success. We currently manage real estate investments in excess of SAR 2.5 billion which represents a 67% increase from last year. 74% of our real estate portfolio is invested in the UK and to date we have invested in 14 UK properties with a total of SAR 2.6 billion invested and total divestment of approximately SAR 0.8 billion.

However, in the light of our diversification efforts, UK's concentration was diluted by 5% in 2016 compared to 2015, due to new ventures in the United States, Europe and the Kingdom of Saudi Arabia.

Furthermore, we continued to diversify into other asset classes, wherein structured trade finance has seen growth in AUM 142% YoY.

Our two structured trade finance products that have to be highlighted this year are Sidra Mutajara fund as well as the Sidra Ancile fund. The success of Sidra Ancile, with AUM of approximately USD100million is currently the largest Islamic structured trade finance fund in the world and motivated us to provide our investors with a follow up product Sidra Mutajara Fund. Over the course of 8 months the fund has reached its capacity and we closed at USD 100 million. Structured trade finance is one of the areas that we are looking to further invest in and increase its share in our asset mix in 2017.



## CORPORATE FINANCE & ADVISORY

**OUR CORPORATE FINANCE AND ADVISORY (CFA) TEAM IS PROFICIENT IN SHARI'AH COMPLIANT SERVICES AND SOLUTIONS THAT INCLUDE EQUITY & DEBT CAPITAL RAISING, CORPORATE RESTRUCTURING AND FINANCIAL ADVISORY ACROSS A VARIETY OF INDUSTRY SECTORS.**

Intense business competition, coupled with regional liquidity constraints and growing risk premiums, is providing a challenging backdrop for investors and business owners. As such, and given both local and international exposure and expertise, Sidra Capital's CFA is ideally placed to create value through bespoke solutions for HNW business owners and mid-to-large cap firms in the region.

The team was involved in securing Shari'ah compliant debt for one of our UK acquisitions as well as securing financing from a local Saudi bank for one of our mixed development projects in Jeddah.



# BUSINESS OVERVIEW

## PR & MARKETING / CORPORATE SOCIAL RESPONSIBILITY



### PR & MARKETING

Our PR & Marketing activities have moved on from mere brand awareness and have established itself as an indispensable part of expanding our current client base. After setting up a functional PR & Marketing department in 2014/15, 2016 was the year of exploring various communication channels to gain access to new stakeholders. The conscious decision was taken to move away from event sponsorships and to invest more heavily in our own events in order to maintain and foster relationships with investors. Our series of guest speaker events has been witnessing growing success to the extent that we are being approached by various high-profile entities to co-host our events.

The marketing landscape globally and in Saudi Arabia has changed, and the tools to reach our audiences have become more diverse and complex. This has influenced our decision to take our communication efforts to the next level and started investing in the digital space. While the initial phase different strategies were tested, Sidra Capital's digital communication efforts showed promising results in terms of reach and efficiency towards the end of Q2 of 2016 and onwards. 2017 will witness further emphasis into digital with a more targeted approach and with the overall ambition to stream line and integrate all communication efforts.

It remains to be mentioned that Sidra Capital has been involved in charitable activities and was the main sponsor to this year's Disabled Children Association fund raiser.



### CORPORATE SOCIAL RESPONSIBILITY

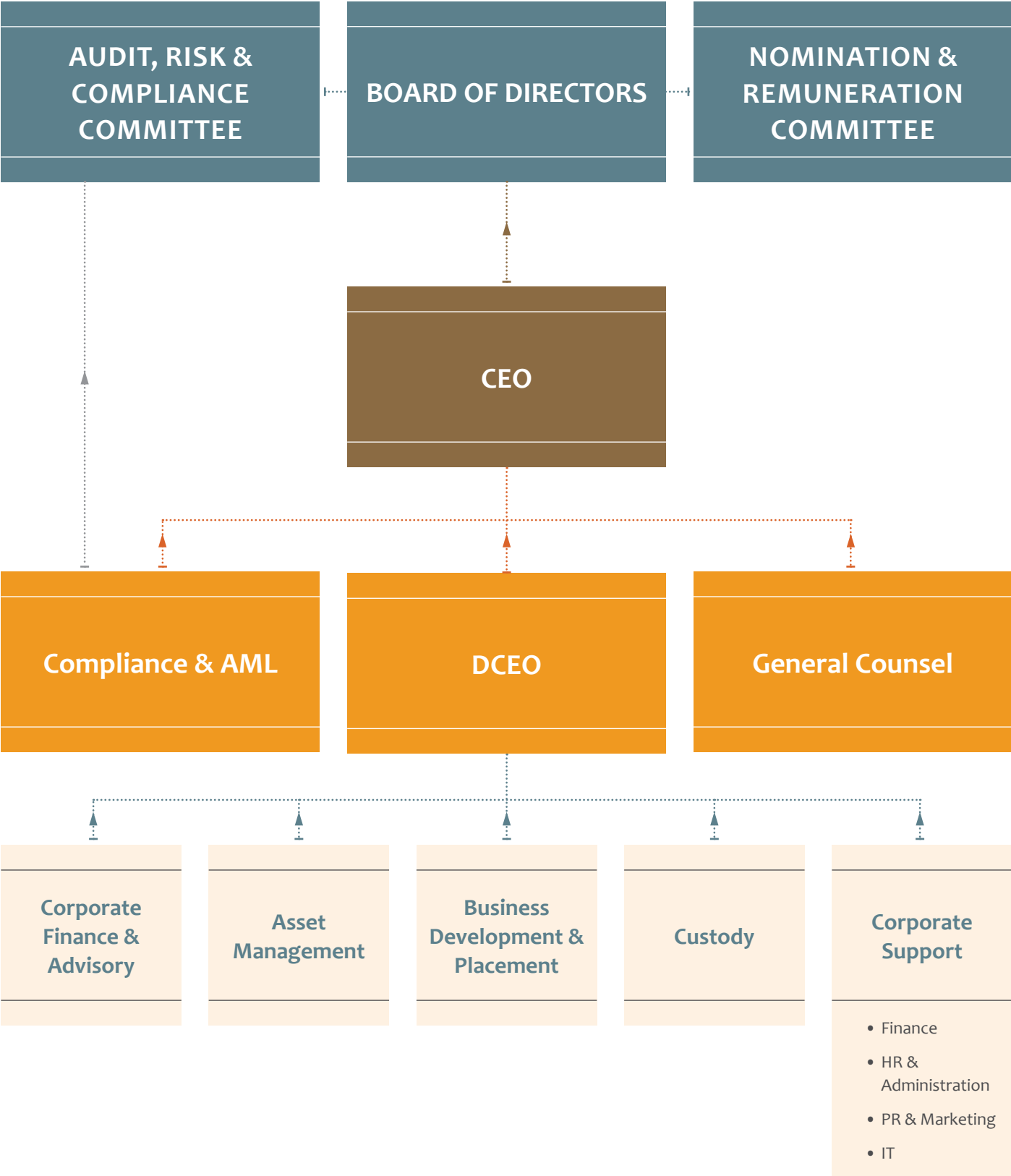
Sidra Capital has committed itself to private sector employment and social housing. Our new Young Saudi Professional Trainee Program was designed to actively facilitate the integration of Saudi talent into the work force. The program which is open to male and female applicants prepares young Saudis for a career in the field of finance. We believe that this rotational program will give our young professionals the competitive edge they require in today's market. As we consider our employees our biggest asset we want to make sure that the Sidra DNA is injected into our young professionals from day one. Innovation, flexibility and understanding our client's financial needs are part of the DNA that made Sidra Capital grow over the past years.

Our young professionals undergo a 12 months' rotational program in which they will work in different departments and will be actively coached by our department heads. Throughout the program the young professionals will further take necessary exams such as the CME1 and CME2 exam which will enable them to progress in the industry.

Our social housing efforts continue in 2016. Our DECO fund continued to invest in Cote d'Ivoire and delivered housing units under the governments housing program. Further, it is worth mentioning that all our structured trade finance products such as the Sidra Ancile Global Structured Trade Investment Fund adhere to the highest ethical investment standards, such as SRI and ESG standards. Sidra Capital will not invest in countries that are sanctioned by either the Office of Foreign Asset Control, United Nations or the European Union. We are also committed not to invest in companies that engage in gaming, animal testing or are guilty of human right violations.

# CORPORATE PROFILE

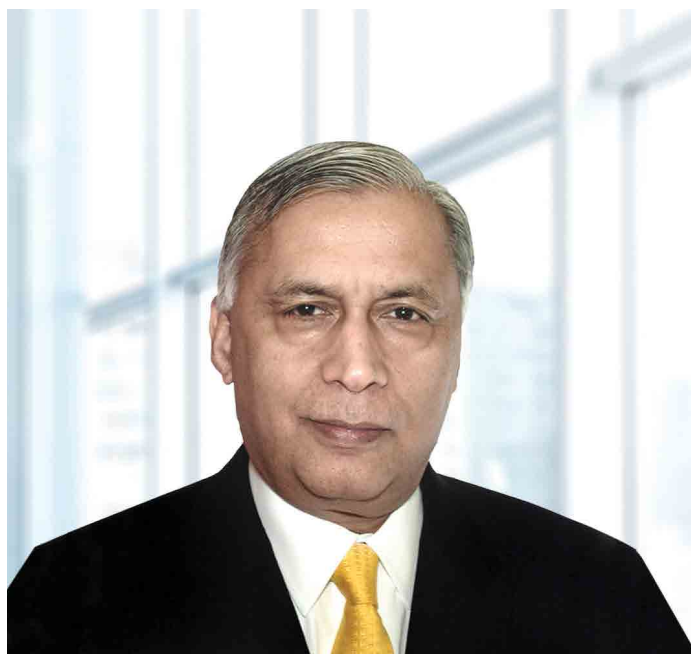
## CORPORATE STRUCTURE



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# CORPORATE PROFILE

## BOARD OF DIRECTORS



# CORPORATE PROFILE

## BOARD OF DIRECTORS

### Sheikh Ahmed Salem Bugshan

*Chairman*

Sheikh Ahmed Salem Bugshan is presently the Chief Executive Officer of Saudi Industrial Projects Company, the manufacturer and bottler of Pepsi cola drink in the western region of Saudi Arabia. He is also the Vice Chairman of the International Investment Bank, Bahrain, and is the Chairman of Saudi Steel Profile Manufacturing Factory Company Ltd. He obtained his Bachelor's Degree in Economics and Administration from King Abdulaziz University, Jeddah, in 1992. Following that, he underwent practical training at Pepsi's operations in Greece. He also underwent banking training in portfolio management, trade finance and private banking with Banque Indosuez Switzerland.

### Hani Othman Baothman

*Vice Chairman*

Hani Othman Baothman has extensive experience with prominent national and multinational public and private institutions, including Al-Khabeer Financial Consultants, the Islamic Development Bank (IDB), Saudi Economic and Development Company (SEDCO) and ABV Rock Group, a Saudi-Scandinavian joint venture contracting company. He is a founding shareholder of Sidra Capital and was the Managing Director and Chief Executive Officer. He obtained his Bachelor's Degree in Mechanical Engineering from the University of Reading, United Kingdom, and later received the Chevening Scholarship to study for his MBA at Imperial College, London.

### Sheikh Ammar Farouq Zahran

*Board Member*

Sheikh Ammar Farouq Zahran was Director of Bin Mahfouz Group until 2010. Prior to this, he was the Assistant Managing Director of Al Murjan Trading & Industrial Co., a position he held since 1996. He completed his undergraduate studies in Manufacturing Engineering, Bachelor of Science, from Boston University, United States, in 1993 and subsequently obtained his Master's Degree in Engineering Management from Northeastern University, Boston, in 1996.

### H.E. Shaukat Aziz

*Board Member*

His Excellency Shaukat Aziz was elected as the Prime Minister of Pakistan from 2004 to 2007, following his position as Finance Minister from 1999 to 2004. After graduating from Gordon College, Rawalpindi in 1967, he gained his MBA degree from the Institute of Business Administration, University of Karachi. An internship at Citibank marked the beginning of a 30 year career in global finance. As Executive Vice President, he held several senior management positions in Citibank, including head of institutional banking for Central Eastern Europe, the Middle East and Africa, and later, for Asia Pacific, followed by his promotion to become the Chief Executive of the bank's global wealth management business.

In 2014, he was appointed Senior Visiting Research Fellow at Green Templeton College, Oxford University, United Kingdom, where he also chairs their annual Emerging Markets Forum.

### Muhammad Currim Oozeer

*Chief Executive Officer*

A founding member of Sidra Capital, Muhammad Currim Oozeer joined in 2008 from HSBC Amanah, Malaysia. His last role there was as its Head of Asia Origination. Prior to that, he was with the Islamic Corporation for the Development of the Private Sector, the private sector arm of Islamic Development Bank Group responsible for structured finance and syndication operations. He obtained his Bachelor's Degree in Economics & Business Finance from Brunel University, then went on to complete his Masters in International Securities, Investment & Banking at ICMA Centre, University of Reading. He also has a PhD in Finance from ICMA Centre, University of Reading and is a CFA Charterholder.

# CORPORATE PROFILE

## SENIOR MANAGEMENT



**Muhammad Currim Oozeer**

*Chief Executive Officer*

A founding member of Sidra Capital, Muhammad Currim Oozeer joined in 2008 from HSBC Amanah, Malaysia. His last role there was as its Head of Asia Origination. Prior to that, he was with the Islamic Corporation for the Development of the Private Sector, the private sector arm of Islamic Development Bank Group responsible for structured finance and syndication operations. He obtained his Bachelor's Degree in Economics & Business Finance from Brunel University, then went on to complete his Masters in International Securities, Investment & Banking at ICMA Centre, University of Reading. He also has a PhD in Finance from ICMA Centre, University of Reading and is a CFA Charterholder.



**Naim Azad Din**

*Deputy Chief Executive Officer and Head of Asset Management*

A founding member of Sidra Capital, Naim Azad Din joined in 2009 from HSBC Bank, Malaysia.

His last role there was its Global RM, Global Banking and Markets. Prior to that, he was with the Corporate Finance and Advisory team of Public Investment Bank, Malaysia, and he was responsible for numerous debt restructuring transactions after the 1997/1998 Asian financial crisis.

He holds a Bachelor of Commerce degree from the University of Auckland, New Zealand; he is a member of the Association of Chartered Certified Accountants (ACCA), the Malaysian Institute of Accountants (MIA) and Chartered Professional in Islamic Finance (CPIF) charterholder.



**Hassan Bahloul**

*Head of Investment Placement and Business Development*

Hassan Bahloul joined Sidra Capital in October 2012 and carries with him 13 years of experience in sales and business development.

Prior to joining Sidra Capital, he was the Vice President of Sales in Damac Properties, Saudi Arabia, a post he held since 2007. He was also a Regional Manager at Showtime and shuttled between Dubai and Saudi Arabia from 1999 to 2005. Hassan holds a Bachelor's Degree in Business Administration from Ajman University and has completed various courses in Canada and the United Kingdom.

# CORPORATE PROFILE

## SENIOR MANAGEMENT



**Saeed Al-Amoudi**

*Vice President Corporate Finance & Advisory*

Saeed Al-Amoudi joined Sidra in April 2015 after 12 years in the corporate banking field with institutions such as SAMBA, Saudi Fransi and Saudi Hollandi Bank. During his banking career, he has managed and executed various financing transactions exceeding SR 7 Billion for market leading conglomerates in various industry segments, including, automotive, contracting & construction, manufacturing, real estate and retail/trading. He holds Bachelor's Degree from the University of Greenwich (UK) and accreditations in Project Finance.



**Omar Al Habshi**

*Head of Finance*

Omar Al Habshi joined Sidra Capital in September 2008 as a Senior Accountant in its Finance Division.

Subsequently, he was promoted to Finance Manager in April 2010. He obtained his Bachelor's Degree in Accounting from Sana'a University in 2000. He brings with him over 5 years of experience in the field of accounting.



**Fahim Sonde**

*Head of Compliance & AML*

A Compliance & Risk specialist with 15 years experience in the areas in Compliance, AML, Risk Management, Corporate Governance & Internal Controls. Prior to joining Sidra Capital, Fahim Sonde was heading the Compliance department at Alpen Capital Saudi Arabia & Mulkia Investment and before that was working as Compliance Officer at Malaz Capital & Global Investment House Bahrain.

He is a "Certified Compliance Officer" (CCO) & "Certified Risk Analyst" (CRA) from (IABFM), Dubai. He is also a "Certified Risk and Compliance Management Professional" (CRCMP) from (IARCP), USA and "Certified Stress Testing Expert" from (BCPA), USA. He is also a "Certified Islamic Finance Executive" (CIFE) from (Ethica), Dubai. He is currently a Member of International Compliance Association (MICA), UK.

# CORPORATE PROFILE

## SENIOR MANAGEMENT



**Sophian Seraj**  
*Public Relations and Marketing*

Prior to joining Sidra Capital in 2014, Sophian Seraj was the Head of Public Relations for Toyota at Abdul Latif Jameel (ALJ) and the company's sponsorship of the Saudi Professional League.

Due to his expertise in integrated strategic communications and issues management, he was soon made Head of Brand Reputation and became responsible for the conception and implementation of a high-level mitigation strategies.

Previously, he established a professional reputation that led to his appointment as Country Manager for a global agency in Saudi Arabia. He has a Master's Degree in Political Science and American Studies from J.W. Goethe University, Frankfurt am Main.



**Mohammed Al-Amoudi**  
*IT Manager and Custody and Documentation Officer*

Mohammed Al-Amoudi joined Sidra Capital in December 2007 as an information technology officer.

His experience, along with his skills and educational background, qualify him to perform his current role within the company. He holds a Bachelor in Management Information Systems from Indiana University, Pennsylvania, USA.



**Samah Bahamat**  
*Human Resources*

Samah Bahamat joined in 2009 and is one of the most senior members at Sidra Capital.

Prior to joining Sidra Capital, she worked in sales and marketing, during which her roles involved training employees and developing talent. She has a Bachelor's Degree from the University of Science and Technology in Jeddah, Saudi Arabia.



**Anwar Yasini**  
*General Counsel*

Anwar Yasini joined Sidra Capital in February 2015 from Shajjan and Associates where he was working as a Senior Legal Counsel.

Prior to that, he had worked in the United States as a member of the legal team of Shah Peerally. He holds a Master's Degree in comparative law from Harvard Law School and has 5 years of relevant experience working in the field of corporate and commercial law.

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# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE REPORT

Sidra Capital (Sidra or “the Company”) is committed to adopting corporate governance practices, which are designed to be in line with prevailing regulations issued by the authorities in the KSA. Sidra Capital’s corporate governance objective, amongst others is to uphold the interests of its shareholders and clients by operating in accordance with the rules and regulations of the CMA. Sidra has a reasonably strong corporate governance structure as a result of which management and governance related risks are well managed.

## Major Activities of the Company

The Company’s principal activities are dealing as principal & underwriting, managing, arranging, advising and custody services with respect to the securities business as per the license issued by the Capital Market Authority (CMA) number 08116-37.

### Asset Management Division

Our Asset Management Division is committed to creating innovative solutions and investment products that fulfil our client’s needs, a commitment that has resulted in a specialty in alternative investment universe. Many of our products have been recognized and awarded internationally. Our current portfolio focuses on domestic and international real estate investments and structured trade investments.

Our activities cover a wide spectrum of asset and investment management in various asset classes within the alternative investment universe. We have developed our expertise in the following asset classes/sector:

- 1) Real-estate (KSA, GCC, UK and the USA); and
- 2) Structured trade finance (Global)

Our services are currently being offered to institutional clients, High Net Worth Individuals (HNWI) and family offices by leveraging on our wide range of investment products and network.

### Corporate Finance and Advisory Division

Our Corporate Finance and Advisory Division offers specialized Shari’ah-compliant services that are tailor-made to fit our client’s needs. Since its establishment, we have completed numerous transactions across a variety of different sectors. The following are the services offered by the CFA Division.

- 1) Debt and Equity Arranging: Assisting companies in raising debt or equity funding.
- 2) Restructuring: Provide services to clients who need corporate restructuring that is pertaining to the ownership, debt legal and/or operational structures of the business.
- 3) Mergers & Acquisitions: Providing corporate strategy and advising clients on the matter of buying, selling, dividing and combining different companies and entities that can help an enterprise grow rapidly in its sector and increase shareholder value.



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### The Board of Directors

The Board of Directors (BoD) is elected by the shareholders to provide strategic guidance to the business and affairs of Sidra. One of the key responsibilities of the BoD is to provide guidance towards enhancing Sidra's business viability and protecting and enhancing the interests of the shareholders whilst managing the interests of other stakeholders. Other key roles of the BoD include:

- Reviewing and guiding corporate strategy, major plans of action, risk appetite, annual budgets and business plan, setting performance objectives, monitoring implementation of corporate performance, overseeing major capital expenditures, acquisitions and divestitures.
- Monitoring the effectiveness of Company's governance practices and making changes as needed;
- Ensuring that appropriate policies and procedures are in place and in line with the overall corporate strategy;
- Reviewing and approving the organizational and functional structures of the Company;
- Monitoring and managing potential conflicts of interest of management, Board members and shareholders including misuse of Sidra's assets and abuse in related party transactions;
- Forming committees as required, with clearly defined tasks, rights, and obligations;
- Ensuring the integrity of Sidra's accounting and financial reporting systems, including the independent audit and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control and compliance with the law and relevant standards; and
- Overseeing the process of disclosure and communications.

### Attendance Records

For the financial year ended 31 December 2016, the following tabulates the attendance records of the members:

No	Name of Director	Membership Classification	Position	Attendance Record
1	Ahmed Salim Bugshan	Non-Executive	Chairman	2/2
2	Hani Othman Baothman	Non-Executive	Vice Chairman	2/2
3	Shaukat Aziz	Non-Executive	Independent Board Member	1/2
4	Ammar Farouq Zahran	Non-Executive	Independent Board Member	2/2
5	Muhammed Currim Oozeer	Executive	Chief Executive Officer	2/2

**Note:** The Shareholders of Sidra Capital expressed satisfaction in the current BoD members and renewed their terms for further 3 years from 24/05/2016 to 24/05/2019 in the Ordinary General Assembly meeting held on 24/05/2016.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Board Member's Membership in Other Companies

No	Name of Director	Position	Name of the Company	Legal Structure
1	Ahmed Salim Bugshan	Chairman and Chief Executive Officer	Saudi Industrial Projects Company (SIPCO)	LLC
		Vice Chairman	Pepsi Cola Bugshan	Closed Joint Stock Company
		Chairman	International Investment Bank	LLC
		Board Member	Saudi Industrial Beverages Company (SIBCO)	Joint Stock Company
		Director	Pepsi Cola (EGYPT)	Joint Stock Company
		Director	Saudi Snack Foods	Joint Stock Company
		Chairman	Saudi Steel Profile Company	LLC
		Director	Savoy Hotel	Joint Stock Company
2	Hani Othman Baothman	Director	Tirana Tourism Investment Company	Joint Stock Company
		Director	Al Murjan Holding Company Limited	LLC
		Director	Al Murjan International Holding Limited	Company Limited by Shares (DIFC)
		Director	Alkhozama Management Company	LLC
		Director	Altaif Investment and Tourism Company	LLC
3	Shaukat Aziz	Board Member	INOKS Capital Ltd	LLC
		Board Member	Saudi Cable Company	Joint Stock Company
4	Ammar Farouq Zahran	Board Member	Millennium & Copthorne Hotels PLC	Public Company Limited by Shares
		Board Member	Al Murjan Holding Limited	LLC
5	Muhammed Currim Oozeer	Board Member	Al Murjan International Holding Limited	Company Limited by Shares (DIFC)
		Board Member	INOKS Capital Ltd	LLC

### The Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee (ARCC) is a Board Level Committee established by the BoD of Sidra with power only of recommendation to the BoD for final decisions.

The ARC assists the Board in fulfilling its oversight responsibilities with respect to:

- The Company's financial statements and other financial information provided by the Company to its shareholders, the public and others.
- The Company's compliance with legal and regulatory requirements.
- The performance of the Company's internal audit department (or external service provider) and independent auditors.
- The risk management, compliance and control activities of the Company.

### Attendance Records of ARCC

For 2016, the attendance of the members were as follows:

No	Name of the Member	Position	Attendance Record
1	Abdulah Ali Mukred	Chairman	4/5
2	Ammar Farouq Zahran	Member	5/5
3	Seedy Keita	Member	5/5

**Note:** The Audit & Risk Committee was renamed to Audit, Risk & Compliance Committee (ARCC) at the meeting of the Board of Directors held on 27/11/2016.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Nomination & Remuneration Committee

The Nomination & Remuneration Committee (NRC) is a Board Level Committee that has been formulated to set the principles and parameters for nominating and remunerating Directors and senior management of the Company.

The NRC has been mandated to undertake the specific duties and responsibilities listed below:

- To review the composition of the Board and ensure that the Board has the appropriate mix of skills, experience and other factors required by the Company and the regulatory authorities to fulfill its responsibilities.
- To review and make recommendations to the Board in respect of the compensation arrangements for the Directors and Senior Management.

### Attendance Records of NRC

For 2016, the attendance of the members were as follows:

No	Name of the Member	Position	Attendance Record
1	Sheikh Ahmed Salem Bugshan	Chairman	1/1
2	Ammar Farouk Zahran	Member	1/1
3	Hani Othman Baothman	Member	1/1

### Remuneration and Compensation of Board Members and Top 5 Senior Executives

Statement	Executive Board Members	Non-Executive Board Members/Independent	5 of the Senior Executive who received highest Compensation and Bonuses, CEO and Finance Manager included
Salary & Compensation	-	-	4,382,634
Allowances	-	-	-
Periodic and Annual Bonuses	-	50,000	925,000
Motivational Plans	-	-	-
Any other Compensation or advantages paid monthly or annually	-	-	-

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# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### Results of the Internal Audit of the effectiveness of the Company's Internal Control Procedures

Sidra Capital maintains a robust internal control system that has the following controls in place:

The role of the Internal Audit Function is to assist the Board and Management in achieving effective Corporate Governance, Business Risk Management and Internal Control through the provision of objective, independent, professional and consultation services in line with the Company's values and audit profession's ethics and standards.

The Internal Audit Function has been outsourced to Deloitte & Touche for the period from January to December 2015; where its findings and recommendations were discussed by the ARCC.

During 2016, Deloitte conducted internal audit review for the year 2015. The findings were presented to Audit, Risk & Compliance Committee over the course of 2016 and subsequently reported to the Board.

A follow-up review was also conducted by Deloitte in December 2016 to cover due action plans emanating from the review processes. The ARCC ensures that the results of the internal control reviews, with corrective measures are implemented in the agreed timeline discussed with the management.

The management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies and procedures approved by the Board of Directors, and are subject to annual review.

In view of the above, we believe that the Company has reasonably sound and effective system of internal controls in force, both in design and implementation.

### Risk Management

The diversified business activities require the Company to identify, measure, aggregate, monitor and manage risks effectively and to allocate capital among its businesses appropriately. Given the size of the Company and its operations, the Company has adequate risk management framework to identify and manage major risks. The Company has an Audit, Risk & Compliance Committee to assist the Board of Directors in fulfilling its oversight responsibilities of its risk management activities. The following are the major risks managed by the company.

#### a) Credit Risk

Credit risk is one of the most important risks that the Company faces in its operations and it is the failure of one or more of its major counterparties. To mitigate this risk, the Company has diversified its banking relationships across several local Saudi and international banks. The Company uses the CMA Prudential rules to monitor the credit risk which is one of the component used to calculate the minimum capital requirement.

#### b) Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in the market. After discussions with external auditor and considering that the Company does not have a trading book, the only market risk that is applicable to the Company is Foreign Exchange risk. The Company uses the CMA Prudential rules to monitor the market risk which is one of the component used to calculate the minimum capital requirement.

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE REPORT

### c) Operational Risk

Operational Risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems as also the risk of loss arising from external events. The Company uses the CMA Prudential rules to monitor the operational risk which is one of the component used to calculate the minimum capital requirement. It uses the expenditure-based approach, which consists in applying a 25% risk charge to the prior year level of operating expenses.

The above mentioned risks as well as the capital adequacy requirements calculated by the Capital Adequacy Model provided by the CMA are monitored on a monthly basis.

### Loans

In the liabilities section of the financial statements, the Company does not have any loan outstanding as at 31<sup>st</sup> December 2016.

### Related Party Transactions

Related Party Transactions are stated in Note 6 of the Notes to the Financial Statements for 2016.

### Interest, Contractual Securities and Subscription Rights of the Board members and its related parties in the Shares and Debt Instruments of Sidra Capital or any of its subsidiaries

No	Name of the Board Member	Ownership in Sidra Capital
1	Sheikh Ahmed Salem Bugshan	Direct
2	Hani Othman Baothman	Indirect

### Regulatory Fines & Penalties

During the year 2016, the Company did not receive any fines and penalties from any regulatory or judiciary body.

### Conclusion

The Board of Directors extend their thanks and appreciation to all the staff of the Company whose dedicated services has played a vital role in the achievements of the Company.

# SHARI'AH ADVISOR REPORT

SID-AD-02-03-17



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## Shari'a Advisor's Report to the Shareholders of Sidra Capital

Praise be to Allah, Lord of the worlds, and peace and blessings be upon Mohammed, the leader of Prophets and Messengers, and upon his family and companions, and upon those who follow his Guidance Until the Day of Judgment.

It is our pleasure to present you the Shari'a Advisor's Report for Sidra Capital (hereinafter 'Company').

In compliance with the letter of appointment we the undersigned have reviewed the Company's businesses & activities for the period from 1<sup>st</sup> of January 2016 to 31<sup>st</sup> December 2016.

We have reviewed all transactions, investment and pertinent documentation adopted by the Company. Our review was conducted to form an opinion as to whether the Company has complied with Shari'a rules and principles and also with the directives and guidelines issued by AAOIFI. We planned and performed our review so as obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company has not violated Shari'a rules and Principles.

The prime responsibility for ensuring compliance with Shari'a standards and rules in all activities and business operations lie with the Company management. It is our responsibility to present an independent opinion of the Company's operations and to communicate it to the shareholders.

In our opinion the reviewed transaction, related documentation & processes, business activities and dealings entered into by the Company during the year ended 31<sup>st</sup> December 2016 are in compliance with the Islamic Shari'a Rules and Principles.

May Allah bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

On behalf of Shariyah Review Bureau W.L.L.  
02 /03/ 2017



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THE CENTRAL BANK OF BAHRAIN

[www.shariyah.com](http://www.shariyah.com)



## FINANCIAL STATEMENTS

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>30</b>
<b>BALANCE SHEET</b>	<b>32</b>
<b>STATEMENT OF INCOME</b>	<b>33</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>34</b>
<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>35</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>36</b>
<b>PILLAR III DISCLOSURE</b>	<b>50</b>

# INDEPENDENT AUDITORS' REPORT



**KPMG Al Fozan & Partners**  
Certified Public Accountants  
Zahran Business Centre, Tower A, 9th Floor  
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License No. 46/11/323 issued 11/3/1992

## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Sidra Capital  
(A Saudi Closed Joint Stock Company)  
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of Sidra Capital (“the Company”) which comprise the balance sheet as at December 31, 2016, and the related statements of income, cash flows and changes in shareholders’ equity for the year then ended and the attached notes 1 through 26 which form an integral part of the financial statements.

### *Management’s responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with the Regulations for Companies and the Company’s bylaws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

### *Auditors’ responsibilities*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.





## **Opinion**

In our opinion, the financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of Sidra Capital as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of financial statements.

**For KPMG Al Fozan & Partners  
Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382



Jeddah, Jumada Al Thani 28, 1438H  
Corresponding to March 27, 2017

# BALANCE SHEET

As at December 31, 2016

Expressed in Saudi Arabian Riyals

	Notes	2016	2015
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	26,085,373	29,527,180
Accounts receivable	5	12,295,756	4,875,031
Prepayments and other current assets	7	5,093,254	7,000,403
<b>Total current assets</b>		<b>43,474,383</b>	<b>41,402,614</b>
<b>Non-current assets:</b>			
Property and equipment	8	2,891,470	1,025,822
Available for sale investments	9	39,812,952	38,783,121
Investment properties	10	13,950,137	5,125,000
<b>Total non-current assets</b>		<b>56,654,559</b>	<b>44,933,943</b>
<b>Total assets</b>		<b>100,128,942</b>	<b>86,336,557</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	11	4,127,560	75,120
Accrued expenses and other current liabilities	12	686,155	1,296,682
Accrued Zakat	13.2	3,848,639	2,603,874
<b>Total current liabilities</b>		<b>8,662,354</b>	<b>3,975,676</b>
<b>Non-current liability:</b>			
Employees' end of service benefits	14	2,344,869	1,781,371
<b>Total liabilities</b>		<b>11,007,223</b>	<b>5,757,047</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	15	90,000,000	90,000,000
Accumulated losses		(878,281)	(9,420,490)
<b>Total shareholders' equity</b>		<b>89,121,719</b>	<b>80,579,510</b>
<b>Total liabilities and shareholders' equity</b>		<b>100,128,942</b>	<b>86,336,557</b>

The accompanying notes 1 through 26 form an integral part of these financial statements

# STATEMENT OF INCOME

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

	Notes	2016	2015
<b>Revenue:</b>			
Management services		27,815,454	22,652,368
Arrangement and advisory services		3,224,226	1,057,896
Operational investments		2,669,637	2,526,547
		<b>33,709,317</b>	<b>26,236,811</b>
<b>Operating expenses:</b>			
Employee related costs		(13,130,719)	(11,652,508)
Marketing and promotion expenses		(1,240,772)	(1,953,433)
General and administrative expenses	17	(5,282,246)	(4,732,912)
Impairment loss on investment properties	10.1	(925,000)	--
Impairment loss on available for sale in investments	9.2	(1,085,245)	--
		<b>(21,663,982)</b>	<b>(18,338,853)</b>
<b>Operating income</b>		<b>12,045,335</b>	<b>7,897,958</b>
Other income		1,002,538	782,911
Foreign currency losses	18	(2,342,199)	(628,858)
<b>Net income before Zakat</b>		<b>10,705,674</b>	<b>8,052,011</b>
Zakat charge	13.3	(2,163,465)	(2,603,874)
<b>Net income for the year</b>		<b>8,542,209</b>	<b>5,448,137</b>
Weighted average number of shares outstanding at December 31		<b>9,000,000</b>	<b>9,000,000</b>
<b>Earnings per share from:</b>			
	24		
Net income for the year		<b>0.949</b>	<b>0.605</b>
Operating income		<b>1.338</b>	<b>0.878</b>

The accompanying notes 1 through 26 form an integral part of these financial statements

# STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

	Notes	2016	2015
<b>Cash flows from operating activities:</b>			
Net income before Zakat		10,705,674	8,052,011
Adjustments for:			
Depreciation	8	344,159	298,979
Property and equipment directly written off	8	432,323	--
Accounts receivable written off	5.1	525,000	--
Project recoverable cost written off	7.1	89,100	--
Employees' end of service benefits charge for the year	14	815,177	526,306
Impairment loss on investment property	10.1	925,000	--
Impairment loss on available for sale investments	9.2	1,085,245	--
		<b>14,921,678</b>	<b>8,877,296</b>
<b>Changes in operating assets and liabilities:</b>			
(Increase) / decrease in accounts receivable		(7,945,725)	8,355,718
Decrease / (Increase) in prepayments and other current assets		1,818,049	(1,845,687)
Increase / (decrease) in accounts payable		4,052,440	(92,691)
(Decrease) / Increase in accrued expenses and other current liabilities		(610,527)	503,185
		<b>12,235,915</b>	<b>15,797,821</b>
Employees' end of service benefits paid	14	(251,679)	(1,449)
Zakat paid	13.3	(918,700)	(1,251,207)
<b>Net cash from operating activities</b>		<b>11,065,536</b>	<b>14,545,165</b>
<b>Cash flows from investing activities:</b>			
Net movement in available for sale investments		(2,115,076)	(4,949,436)
Net movement in investment properties		(9,750,137)	--
Additions in property and equipment	8	(2,682,844)	(69,350)
Proceed from disposal of property and equipment		40,714	5,883
<b>Net cash used in investing activities</b>		<b>(14,507,343)</b>	<b>(5,012,903)</b>
Net (decrease) / increase in cash and cash equivalents		(3,441,807)	9,532,262
Cash and cash equivalents at beginning of year		29,527,180	19,994,918
<b>Cash and cash equivalents at end of year</b>	4	<b>26,085,373</b>	<b>29,527,180</b>

The accompanying notes 1 through 26 form an integral part of these financial statements

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

	Share capital	Accumulated losses	Total
Balance at January 1, 2015	90,000,000	(14,868,627)	75,131,373
Net income	--	5,448,137	5,448,137
Balance at December 31, 2015	90,000,000	(9,420,490)	80,579,510
Net income	--	8,542,209	8,542,209
<b>Balance at December 31, 2016</b>	<b>90,000,000</b>	<b>(878,281)</b>	<b>89,121,719</b>

The accompanying notes 1 through 26 form an integral part of these financial statements

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Sidra Capital (“the Company”) is a Saudi closed joint stock company registered in Jeddah, Kingdom of Saudi Arabia under Commercial Registration No. 4030187025 on February 25, 2009, corresponding to 30/2/1430H. The Company commenced its operation as per the resolution of Ministry for Commerce and Industry, dated January 24, 2009, corresponding to 27/1/1430H. The ownership structure of the Company is detailed in note 15.

The Company’s principal activities are dealing as principal & underwriting, managing, arranging, advising and custody services with respect to the securities business as per the license issued by the Capital Market Authority (CMA) number 08116-37 on June 1, 2009, corresponding to 8/6/1430H.

The registered office of the Company is located at the following address:

Suite 308, Level 3, Al Murjanah Tower, Prince Sultan Street  
PO Box 118528,  
Jeddah 21312,  
Kingdom of Saudi Arabia

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as “The Law”) came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has amended its bylaws in accordance with the provisions of The Law. The shareholders in the Extraordinary General Assembly meeting held on 6 September 2016 approved this amendment. The full compliance with The Law is expected not later than 24/07/1438H (corresponding to 21 April 2017).

### (b) Basis of measurement

These financial statements have been prepared under the historical cost convention using the except for the measurement at fair value of available for sale investments, unless a reliable fair value measurement is unavailable (note 2(d)(i)).

### (c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is the Company’s functional currency.

### (d) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and accompanying disclosures and disclosures of contingent liabilities. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revision to accounting estimates are recognized in the period in which the estimate is revised and any future period affected.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 2. **BASIS OF PREPARATION (CONTINUED)**

### (d) **Significant accounting judgments, estimates and assumptions (continued)**

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

#### (i) *Valuation of unquoted available for sale investments*

Available for sale investments are carried at fair value. However, in the absence of a reliable fair value estimate, unquoted available for sale investments are carried at cost, less impairment losses, if any.

#### (ii) *Impairment in available for sale investments equity investments*

The Company exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below cost. The determination of what is 'significant' or 'prolonged' requires judgment. In addition, the Company considers impairment appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. The Company considers 30% or more, as a reasonable measure for significant decline below cost, irrespective of the duration of the decline, and is recognized in the consolidated statement of income as provision for impairment in investments. Prolonged decline represents decline below cost that persists for 1 year or longer irrespective of the amount and is, thus, recognized in the consolidated statement of income as impairment in investments.

#### (iii) *Impairment in financial assets*

The Company recognizes an impairment loss on a financial asset when there is an objective evidence of deterioration in the financial health or credit rating of the investee, industry and sector performance or changes in technology that adversely affect the counterparty.

#### (iv) *Impairment in non-financial assets*

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent to those from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows based on earnings 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. In determining fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are identified, it is based on discounted future cash flow calculations of future distributable dividends.

#### (v) *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) **Cash and cash equivalents**

Cash and cash equivalents represent cash in hand and at banks and other short - term highly liquid investments, with original maturities of three months or less, which are available to the Company without any restrictions.

### (b) **Financial investments**

All investment securities are measured at fair value, including acquisition charges associated with the investment at that date (acquisition date) except for those transaction charges related to investments held for trading, which are not added to the cost at initial recognition and are charged to the consolidated statement of income. Premiums and discounts on investments (excluding those classified as held for trading) are amortised using the effective interest rate method and recognised in the consolidated statement of income. For securities that are traded in organised financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same, or is based on the expected cash flows or the underlying Net Asset Value (NAV) which is reflective of the fair value of these securities.

The subsequent period end accounting treatment for each class of investments are determined on the basis as set out in the following paragraphs:

#### *Available for sale investments (AFS)*

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

Investments, which are classified as available for sale, are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Any unrealised gains or losses arising from changes in fair value are recognized directly in consolidated statement of changes in equity under "other reserves" until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to consolidated statement of income for the period and are disclosed as gains/(losses) on non-trading investments.

#### *Held to maturity investments (HTM)*

Investments having fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at amortised cost, less provision for impairment in their value. Amortised cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the Statement of Income when the investment is derecognized or impaired. On impairment, the difference between carrying value and the present value of estimated future cash flows is included in the Statement of Income as impairment loss on held to maturity investments. If the amount of impairment loss is subsequently decreased and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through Statement of Income.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. For available-for-sale investments carried at fair value, impairment loss, which is the difference between cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in the statement of income, is transferred from the statement of changes in equity to the consolidated statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of income.

Impairment is determined as follows:

- a. For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the profit and loss;
- b. For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- c. For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

### (d) Accounts receivable

Accounts receivable are carried at original invoice amounts less provision made for doubtful accounts, if any. A provision for doubtful accounts is established when there is a significant doubt that the Company will not be able to collect all amounts due according to the original terms of agreement.

### (e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of individual items of these assets. Depreciation on additions during the year is charged from the month of addition, while no depreciation is charged in the month of retirement / disposal. The estimated useful lives of the principal classes of property and equipment are as follows:

	<u>Years</u>
Leasehold improvements	Shorter of lease term or useful life of 10 years
Furniture and fixtures	10
Computer equipment	2 - 4

Upon disposal of an item of property and equipment, the resulting gain or loss, measured as the excess or shortfall between the selling price and carrying value respectively, is recognised in the statement of income.

Property and equipment are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(f) Investment properties**

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. Investment property represented by land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its fair value less cost to sell and value in use.

For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the statement of income.

### **(g) Financial liabilities**

All non-derivative financial liabilities, comprising of borrowings, accounts and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

### **(h) Accounts payable, accruals and other liabilities**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### **(i) Zakat**

The Company are subject to zakat in accordance with the regulations of General Authority for Zakat and Income Tax ("GAZT"). Zakat is accrued and charged to income currently. Additional zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

### **(j) Employees' end of service benefits**

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to statement of income. The corresponding liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### (k) **Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before the revenue is recognized.

- Revenue from management and advisory services are recognized when the corresponding services are rendered.
- Arrangement fees are recognized when the deal is finalized with the client and the right to receive the arrangement fee is established.
- Retainer fee, which is fixed at inception, is recognized over the expected period of the deal.

### (l) **Expenses**

All expenses are classified as operating expenses unless another classification is consistent with the nature of the item of expense and circumstances of the Company.

### (m) **Foreign currency transactions**

Transactions in foreign currencies are recorded in the books at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. All exchange differences are recognised in the statement of income.

## 4. **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, comprise the following:

	2016	2015
Cash in hand	2,425	12,289
Cash at bank on current accounts - local currency	6,710,876	6,594,407
Cash at bank on current accounts - foreign currency	19,372,072	22,920,484
	<b>26,085,373</b>	<b>29,527,180</b>

- 4.1 During the year ended December 31, 2016, the Company incurred foreign exchange losses amounting to SR 2.3 million (2015: 0.6 million) on account of translation of foreign currency denominated monetary assets into Company's functional currency, including cash at bank in foreign currency accounts.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, comprise the following:

	Notes	2016	2015
Accounts receivable - others	5.1	12,215,756	4,099,305
Accounts receivable - related parties	6	80,000	775,726
		12,295,756	4,875,031

5.1 During the year ended December 31, 2016, accounts receivables amounting to SR 525,000 (2015: Nil) were written off.

## 6. RELATED PARTY TRANSACTIONS

During the current and prior year, the Company transacted with the following related parties in respect of transactions mentioned below at mutually agreed terms approved by the management of the Company:

Name	Relationship	Nature of transaction
Al Kawther Industries Company Limited	Affiliate	Services
Key Rent a Car	Affiliate	Services
Ahmed Salem Bugshan Real Estate Development Company	Affiliate	Cost incurred on behalf of the related party
Al Murjan International Holding	Affiliate	Services
Talid Arabia Trading	Shareholder	Costs incurred on behalf of the related party
Al-Murjan Holding Company Limited and Group	Shareholder	Services and costs incurred on behalf of the related party

Amount of transactions with related parties during the year and balances arising there from are as follows:

	Amount of transaction		Balance as at December 31,	
	2016	2015	2016	2015
<i>Related party balance under accounts receivable:</i>				
Talid Arabia Trading	--	--	80,000	80,000
Al Murjan International Holding	--	487,968	--	123,291
Ahmed Salem Bugshan Real Estate Development Company	1,043,336	229,096	--	229,096
Al-Murjan Holding Company Limited and Group	--	1,202,721	--	343,339
			80,000	775,726

	Amount of transaction		Balance as at December 31,	
	2016	2015	2016	2015
<i>Related party balance under accounts payable:</i>				
Al Murjan International Holding	6,718,634	487,968	19,377	--
Key Rent a Car	35,166	2,500,000	3,724	11,355
Al-Murjan Holding Company Limited	4,779,013	1,202,721	1,954,820	--
			1,977,921	11,355

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 7. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	2016	2015
Project recoverable costs	7.1	1,214,695	1,302,105
Advances, prepayments and deposits		1,547,286	4,873,522
Accrued income		2,331,273	824,776
		<b>5,093,254</b>	<b>7,000,403</b>

7.1 These represent incorporation costs such as professional fees, registration fees etc. incurred primarily in connection with the development of investment fund structures. During the year ended December 31, 2016, project recoverable costs amounting to SR 89,100 (2015: Nil) were written off.

## 8. PROPERTY AND EQUIPMENT

The movement in property and equipment during the year ended December 31, 2016 is analysed as follows:

	Leasehold improvement	Furniture & fixtures	Computer equipment	Total
<b>Cost:</b>				
Balance as at January 1, 2016	1,195,217	1,116,659	914,784	3,226,660
Additions	1,529,803	772,028	381,013	2,682,844
Disposals	(762,894)	(84,242)	(104,837)	(951,973)
Directly written off	(432,323)	--	--	(432,323)
<b>Balance as at December 31, 2016</b>	<b>1,529,803</b>	<b>1,804,445</b>	<b>1,190,960</b>	<b>4,525,208</b>
<b>Depreciation:</b>				
Balance as at January 1, 2016	710,599	665,516	824,723	2,200,838
Charge for the year	128,784	135,656	79,719	344,159
Disposals / written off	(762,894)	(50,542)	(97,823)	(911,259)
<b>Balance as at December 31, 2016</b>	<b>76,489</b>	<b>750,630</b>	<b>806,619</b>	<b>1,633,738</b>
<b>Net book value:</b>				
<b>Balance as at December 31, 2016</b>	<b>1,453,314</b>	<b>1,053,815</b>	<b>384,341</b>	<b>2,891,470</b>
Balance as at December 31, 2015	484,618	451,143	90,061	1,025,822

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 9. AVAILABLE FOR SALE INVESTMENTS

9.1 These represent investments in the following private equities:

	Notes	2016	2015
Private investment funds	9.1.1	19,375,996	19,262,841
Private equity	9.1.2	20,436,956	19,520,280
		39,812,952	38,783,121

9.1.1. At the reporting date, the investee funds comprises of trade finance and real estate funds domiciled in Luxemburg and Jersey.

9.1.2. This represents Company's investment in private equity via equity injection and additional funding in the form of shareholder loan that does not carry a fixed repayment or return. The Company does not intend to call the additional funding in the foreseeable future. The entities have been established as part of structures for onward investment in real estate properties held for income generation and development.

9.2 As at the balance sheet date, available for sale investments have been carried at cost less impairment in accordance with the accounting policy stated in note 3(b). During the year there has been a instance of significant or prolonged decline in one of the investments against which management has booked the impairment of SR1.09 million.

## 10. INVESTMENT PROPERTIES

These represent real estate properties acquired for capital appreciation purposes. As at the reporting date investment properties compromise of the following:

	Notes	2016	2015
Undeveloped land	10.1	4,200,000	5,125,000
Properties under development	10.2	2,112,147	--
Developed property	10.2	7,637,990	--
		13,950,137	5,125,000

10.1 During the year ended December 31, 2016, undeveloped land were written down by SR0.93 million due to decline in market value.

10.2 During the year, the Company purchased certain properties, which are being held for capital appreciation purposes. Moreover, management believe that the reporting date, the market value of these properties approximate their carrying value.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 11. ACCOUNTS PAYABLE

Accounts payable at December 31, comprise of the following:

	Note	2016	2015
Accounts payable - others		2,149,639	63,765
Accounts payable - related parties	6	1,977,921	11,355
		4,127,560	75,120

## 12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2016	2015
Employee related accruals	282,769	197,946
Accrued rent	--	250,000
Accrued professional fees	254,750	281,000
Deferred income	63,381	503,548
Others	85,255	64,188
	686,155	1,296,682

## 13. ZAKAT

13.1 The principal elements of the Zakat base are as follow:

	2016	2015
Non-current assets	56,654,559	44,933,943
Non-current liabilities	2,344,869	1,781,371
Opening shareholders' equity	80,579,510	75,131,373
Net income	8,542,209	5,448,137

Some of these amounts have been adjusted in arriving at the Zakat charge for the year.

13.2 The details of accrued Zakat at December 31 are as follows:

	2016	2015
Accrued Zakat	3,215,112	1,970,348
Accrued Zakat - prior year	633,526	633,526
	3,848,638	2,603,874

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 13. ZAKAT (CONTINUED)

13.3 The movement in Zakat and income tax provision during the year ended December 31, is as follows:

	2016	2015
<b>Zakat:</b>		
As at January 1	2,603,874	1,247,007
Payments during the year	(918,700)	(1,247,007)
Charge for the year	2,163,465	2,603,874
As at December 31	3,848,639	2,603,874

13.4 The company has filed Zakat return up to and including the year 2015. Assessments have been finalised for the period from 2010 - 2013, requiring an additional Zakat and tax payment of SR 5 million. The Company has appealed against the additional charge. As at the reporting date as per the advice of the Company's Zakat advisor, management has recognised a prior year charge representing the Company's minimum exposure.

## 14. EMPLOYEES' END OF SERVICE BENEFITS

The movement in employees' end of service benefits during the year ended December 31, is as follows:

	2016	2015
Balance as at January 1,	1,781,371	1,256,514
Charge for the year	815,177	526,306
Paid during the year	(251,679)	(1,449)
Balance as at December 31,	2,344,869	1,781,371

## 15. SHARE CAPITAL

As at December 31, the share capital of the Company amounting to SR 90,000,000 (2015: SR 90,000,000) is divided into 9,000,000 shares (2015: 9,000,000) of SR 10 each is as follows:

	2016			2015		
	No. of shares	%	Amount	No. of shares	%	Amount
Al-Murjan Holding Company Limited	8,229,600	91	82,296,000	8,229,600	91	82,296,000
Sheikh Ahmed Salem Bugshan	500,400	6	5,004,000	500,400	6	5,004,000
Sheikh Abdulrahman K. Bin Mahfouz	90,000	1	900,000	90,000	1	900,000
Sheikh Sultan K. Bin Mahfouz	90,000	1	900,000	90,000	1	900,000
Talid Arabia Trading	90,000	1	900,000	90,000	1	900,000
<b>Total</b>	<b>9,000,000</b>	<b>100</b>	<b>90,000,000</b>	<b>9,000,000</b>	<b>100</b>	<b>90,000,000</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 16. STATUTORY RESERVE

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Company was required to set aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. As indicated in Note 2(a) where the Company has amended its bylaws during the year ended December 31, 2016 and accordingly would be required to set aside 10% of its net income each year until such reserve reaches 30% of the share capital. However, no transfer has been made during the year as the Company has accumulated losses as at December 31, 2016.

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	2016	2015
Office rent, utilities and repairs		1,185,985	1,564,004
Professional fees		1,530,402	1,324,240
Travelling		351,826	643,894
Depreciation	8	344,159	298,979
Property and equipment directly written off	8	432,323	--
Accounts receivable written off	5.1	525,000	--
Project recoverable cost written off	7.1	89,100	--
Insurance		311,347	359,166
Others		512,104	542,629
		5,282,246	4,732,912

## 18. FOREIGN CURRENCY LOSSES

During the year, company has recognized the foreign currency losses in cash and cash equivalent, available for sale investments and accounts receivable.

## 19. CAPITAL COMMITMENTS

As at December 31, the company has Capital Commitments amounting to SR 0.77 million (2015: SR Nil) for the development of investment property.

## 20. OPERATING LEASE

	2016	2015
Payments under operating leases recognized as an expense during the year	356,050	925,122
Payments under operating lease required within 1 year	311,798	623,190
Payments under operating lease required during 1-5 year	1,247,192	623,190

20.1 These represent lease rentals in respect of the head office premises.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 21. **FINANCIAL INSTRUMENT AND RISK MANAGEMENT**

The Company's activities expose it to certain financial risks. Such financial risk emanate from various factors that include, but are not limited to market risk, credit risk and liquidity risk.

The Company currently finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk. Company's risk management policies and objectives are as follows:

### **Market risk**

This is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

Market risk comprises of currency risk, interest rate risk and other price risk.

### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign currency risk is primarily represented by investments in GBP and USD. The Company seeks to manage its currency risk by means of appropriate financial instruments including the use of derivatives if required.

### **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Company manages interest rate risk by monitoring interest rate exposures and mismatches between interest bearing financial assets and liabilities on a regular basis. As at the reporting date, the Company is not exposed to any significant interest rate risk.

### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or the factors affecting similar financial instruments traded in the market. As at the reporting date, the Company is not exposed to any significant other price risk since the available for sale investments are carried at cost less impairment (note 3b).

### **Credit risk**

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. As at the balance sheet date, the Company's maximum exposure to credit risk is represented by the respective carrying values of cash and cash equivalents and accounts and other receivables. Cash at bank is placed with reputable banks having sound credit rating while accounts and other receivables pertain to credit worthy counter parties.

### **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. To guard against the risk, assets are managed with liquidity in perspective, maintaining a healthy balance of cash and cash equivalents. Moreover, the maturity profile of financial assets and liabilities is monitored on a regular basis to identify mismatches.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to comply with the capital requirements set by the Capital Market Authority ('CMA') to safeguard the Company's ability to continue as a going concern and to maintain a strong capital base.

During the year ended December 31, 2013, new Prudential Rules (the "rules") were introduced by the CMA pursuant to its Resolution Number 1-40-2012 dated 17/2/1434H corresponding to 30/12/2012G. The rules state that an authorised person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of Prudential Rules.

Description	2016 SR'000'	2015 SR'000'
<i>Capital base:</i>		
Tier I capital	89,122	80,579
Tier II capital	--	--
Total	89,122	80,579
<i>Minimum capital requirement:</i>		
Credit Risks	43,505	32,222
Market Risks	6,541	5,360
Operational Risks	6,002	4,585
Total	56,048	42,167
Total capital ratio	1.59	1.9
Surplus / (Deficit) in Capital	33,074	38,412

## 23. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that at the balance sheet date, the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

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# NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2016

Expressed in Saudi Arabian Riyals

## 24. EARNINGS PER SHARE

	2016	2015
Earnings per share from other income	0.111	0.087

- The earnings per share from net income have been calculated by dividing the net income by the weighted average number of shares outstanding at the year end.
- The earnings per share from operating income have been calculated by dividing the income from operations by the weighted average number of shares outstanding at the year end.
- The earnings per share from other operating income have been calculated by dividing the other income over the weighted average number of shares outstanding at the year end.
- The calculation of diluted earnings per share is not applicable to the Company.

## 25. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to current year presentation, which are not material in nature.

## 26. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on Jumada Al Thani 28, 1438H, corresponding to March 27, 2017.

### Pillar III Disclosure

Please visit the company website at  
<http://www.sidracap.com/>  
to review the published Pillar III disclosure





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