

08

Annual Report



جدوى للإستثمار
Jadwa Investment





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



His Royal Highness Prince
Sultan Bin Abdul Aziz Al-Saud
First Deputy Premier, Minister of
Defense and Aviation and Inspector General

Contents

The Board Members

Chairman's Statement

Company's Overview

Shari'ah Supervisory Board annual statement

Financial Statements and independent Auditor's Report

Independent auditor's report

Balance Sheet

Statement of income

Statement of cash flows

Statement of changes in shareholder's equity

Note to the financial statements

Jadwa Investment

A Saudi Closed Joint Stock Company,
licensed by the Capital Market Authority,

Capital SAR 500,000,000 Fully Paid

Phone +966 1 279-1111 Fax +966 1 279-1571

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

www.jadwa.com

800 435 1111

The Board members



HRH prince Faisal Bin Salman
Bin Abdulaziz Al-Saud
(Chairman of the Board of Directors)



Iqbal Ahmad Khan
(Member)



Adib Bin Abdullah Al-Zamil
(Member)



Abdulaziz Bin Mohammed
Al-Subeaei
(Member)



Abdulrahman Bin Ibrahim
Al-Ruwaita
(Member)



Ahmed Bin Aqeel Al-Khateeb
(Managing Director & CEO)

Chairman's Statement

Dear shareholders,

2008 was another very successful year for Jadwa Investment, amid the most turbulent times in the financial services industry. We built on the outstanding start to our operations in 2007 to make Jadwa one of the most respected financial organizations in the region. Our exceptionally talented team has developed an unrivalled range of products and services and our investment foresight and Sharia principles have helped us to prosper in very challenging market conditions. Our reputation and achievements convinced Khazanah Nasional Berhad, the investment arm of the Malaysian government, to join us in a partnership that will open the door to exciting investment opportunities and foster the exchange of know-how and expertise between two countries central to Islamic investment banking.

Our achievements in 2008 reinforced our position as the leading investment company within the Kingdom. Our award-winning investment banking team secured several prestigious mandates, including sole advisor and arranger on one of the Kingdom's largest ever Islamic project financing and joint advisor to a party in a major M&A transaction between two publicly traded companies. Asset Management launched six new funds including the first Africa investment fund in the region. All of our flagship funds, for the Saudi, GCC and Arab stock markets, were among the best performing in their class. Jadwa has strengthened its position as the principal source of stock market and economic research within the Kingdom. Last year it launched daily coverage throughout the height of the global financial crisis. With our market-leading service gaining traction, the brokerage department achieved notable growth in its market share.

Financial performance last year was encouraging given the hostile market conditions. Healthy growth in revenues from asset management, investment banking and brokerage helped generate revenues of SR 163.2 million. The introduction of various initiatives to control costs enabled us to reduce expenses and contributed to a net profit of SR 30.2 million. Return on equity was 6 percent and return on total assets was 4 percent. As we had anticipated some turbulence in asset prices, we maintained a conservative posture in our proprietary investment portfolio with no debt and a substantial cash cushion, achieving as a result a positive return for the year.

It is clear that we face a tough operating environment in 2009. The global economy has plunged into recession, oil prices have dropped sharply and throughout the world the prices of assets, especially shares and real estate, have been pulled very low. While this presents some challenges, it provides numerous exciting opportunities for Jadwa and we are exploiting these to deliver more compelling investment offerings to our clients. We also benefit from being in an economy that is well positioned to withstand the weak global outlook owing to the consistent implementation of farsighted and proactive economic policy and enlightened capital market liberalization. I am therefore confident that as we progress through 2009 we will take advantage of the new opportunities around us and take Jadwa to new heights.

Thank you,



Faisal Bin Salman Bin Abdulaziz Al-Saud
Chairman of the Board of Directors



Company's Overview

Company's Overview

Asset management

Asset management witnessed explosive growth in 2008 in the face of very turbulent market conditions; revenues increased by 285 percent and six new products were launched. Eleven of our 14 funds outperformed their benchmarks during 2008. Based on publically available information, the company's three flagship funds, Jadwa Saudi Equity, Jadwa GCC Equity and Jadwa Arab Markets, were among the top three performers for the year in their respective categories.

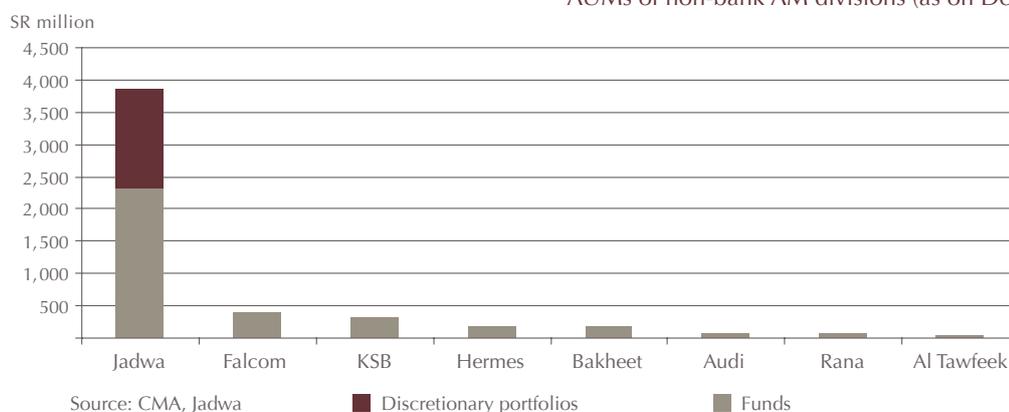
Total assets under management at the end of 2008 were SR3.7 billion, down by 14 percent from the end of the previous year. However, this decline should be seen in light of the more than 50 percent fall in equity markets across the world and the 29 percent drop in assets under management for the asset management industry in Saudi Arabia. Jadwa now manages around 3 percent of the total assets under management in the Kingdom and has by far the largest share of any of the new investment companies. The outperformance of our funds means that we are well positioned to acquire additional assets under management in 2009, market conditions permitting.

Investment banking

Investment banking had a successful 2008 despite challenging market conditions. The team originated eleven mandates, of which seven are active as of the end of the year. Revenues in 2008 reached SR53 million and the 2009 pipeline is strong. The team is executing mandates in project finance, M&A, private placements and private equity.

The team added seven professionals to reach a total of thirteen, with expertise in sectors and product areas aligned with the key economic drivers of the Kingdom. As a result of the high quality of the team and a relentless focus on execution, investment banking achieved several milestones during 2008, including:

- Winning two awards: "Best New Private Equity House" and "Best New Private Equity Fund" at the Private Equity World – 2008 MENA Awards in Dubai;
- Mandated as sole advisor and arranger on the SR16 billion Jabal Omar Mecca Real Estate Project, among the largest Islamic financings ever conducted in the Kingdom;



Despite the turbulent circumstances, Jadwa Asset Management witnessed explosive growth in 2008 with revenues increasing 285% and an addition of 6 new products to Jadwa's product offering.

- Mandated as joint advisor by Hail Agricultural Development Company to respond to Almarai's offer, the first public-to-public M&A transaction in the Kingdom.

Wealth management

Wealth management is the department charged with managing the investments of institutional clients and high net-worth individuals. The wealth management function was restructured in 2008. We enhanced our strong team of relationship managers and refined our communication channels to enable us to better manage large client accounts and attract new clients. We participated in various visits and road shows both domestically and internationally in order to promote Jadwa and its products and services and have developed strong relationships with top national and international companies and government institutions. Over 2008 we increased the total number of Jadwa clients by 271 percent.

In accordance with our strategy to place the client at the center of our priorities, we replaced our branches with a team of highly qualified relationship managers to directly engage with clients and cater for their needs. This enables the relationship managers to better understand their clients and to provide them with the products necessary to achieve their investment goals.

Brokerage

Brokerage doubled its market share in 2008, generating trading volume worth SR12 billion and achieving all its objectives despite the adverse market climate. This was the result of a careful targeting of client segments and our reputation for offering the best quality service in the Saudi market. We are examining increasing our access channels to markets.

Research

Jadwa strengthened its position as the leading source of stock market and economic research within the Kingdom. In 2008 we launched our equity research service and provided daily updates throughout the height of the global financial crisis. Our Monthly Bulletins and

other ad hoc reports remain a benchmark for informed commentary and analysis on the issues affecting the Saudi market and economy.

During 2008 we attracted widespread attention in the market through our equity research. We initiated coverage of 19 companies, reports on eight companies and one sector were published; a further 11 companies were analyzed in consultancy mandates, and strong additions were made to the equity research staff. Each published report is produced exclusively for Jadwa clients, an attraction that is playing an important role in broadening the base of Jadwa's business. Our 'buy' recommendations outperformed the market by an average of over 20 percent between the issuance of the report and the end of the year.

We recognized quickly that the troubles in the US financial sector would have significant ramifications beyond the US and launched a daily commentary over the months of extreme global financial stress. These reports examined the complex events occurring around the world and presented them clearly and concisely with emphasis on the implications for the Saudi market and economy. As with all of our reports, these were published simultaneously in English and Arabic, and we made arrangements with the premier local Arabic economic daily newspaper to publish these reports. Regular presentations and media appearances by our staff have continued to raise awareness of Jadwa and generate new business opportunities. All our publicly disseminated reports are given widespread coverage in the local and regional media.

Shari'ah

The Shari'ah group had a highly productive 2008. We conducted six meetings with the Shari'ah Board of Jadwa and Russell Jadwa in which 36 research memorandums were discussed after a complete internal Shari'ah and technical review with related departments. The meetings resulted in 23 Shari'ah Board resolutions. Four Shari'ah control reports were issued to monitor the compliance of both Jadwa and Russell Jadwa with the Shari'ah Board resolutions and guidelines.



revenue increase **285%**

Company's Overview (continued)

We conducted two workshops that covered sukuk (presented by the head of the Shari'ah Group) and Hedging in Islamic Finance (presented by Dr. Sami Al Suwailem in coordination with the Islamic Research and Training Institute). Two of our staff were awarded a Certified Shari'ah Adviser and Auditor (CSAA) qualification by the Accounting and Auditing Organization for Islamic Financial Institutions. We also established a Shari'ah library to support research development and issued Shari'ah educational reports.

Legal

The legal department performed a critical role in supporting other departments by providing top quality legal services. In 2008 we were heavily involved in the legal work regarding all of the company's key deals including the equity partnership with Khazanah and the Jabal Omar transaction.

Corporate secretary

The Corporate secretary serves as the contact point between the Board of Directors, Senior Management, and the Shareholders. The role of the Corporate Secretary is to provide advice to the Board of Directors, and to organize its periodic meetings. He also records and maintains the meeting minutes and follows the implementation of its recommendations. He is also responsible of arranging general assembly meetings of shareholders in coordination with the concerned government departments.

Compliance and AML

Throughout 2008, the compliance and AML unit focused mainly on the development and implementation of various important policies. The following policies were introduced: employee personal dealing policy, whistleblower policy, Chinese wall policy, MD compliance policy statement, Jadwa compliance program and its attachments and the generic compliance grids. Furthermore, all training needs and certification

programs required by the regulator were completed. The department secured all necessary approvals for the new funds launched during 2008. We continue to administer and coordinate with the relevant business units all facets of know your customer, politically exposed persons, related accounts and high-risk accounts.

Corporate communications

2008 was an exciting and challenging year for corporate communications as Jadwa shifted from being a new brand to an established one. We planned and executed a number of major projects including sponsorships, event management, corporate branding, product and service launches and promotions, as well as the design and production of different collateral (below the line) items. In addition, we signed a contract with a new advertising agency and brought a new marketing manager on to the team.

We identified the most rewarding events to participate in and sponsor during 2008 and had a prime physical presence at the main conferences in the Kingdom and elsewhere in the Gulf. We sought out the top financial awards and prepared the necessary documentation that facilitated Jadwa winning two awards at the Private Equity World Awards MENA 2008. Special national and international public relations campaigns and events were organized to celebrate key deals, awards and fund launches. We initiated the corporate social responsibility program, including establishing close relations with a local university.

Human resources

Jadwa's human resources department has evolved from an administrative process-based function to more of a strategic partner with our business units and departments, supporting them to achieve their objectives. In 2008 we focused on strategies that will align human resources with the strategic business needs and priorities of the company. We established the learning and development

This achieved Jadwa's goal with the win of 2 awards in the Private Equity World Awards MENA 2008 held in Dubai November 2008.



section, which helps all business units in identifying employee development and training needs. In addition, a restructured employee grade and position system was implemented throughout the company, various HR functions were automated and a new policies and procedures manual produced.

Information technology

The information technology department remains at the forefront of providing business-driven solutions to internal and external clients. During 2008 we continued to launch new products and enhance existing services in line with the demands of our clients. Our best of breed IT infrastructure provides Jadwa with a competitive edge while being highly efficient and scalable. Development and execution of IT systems, data protection, information security and business continuity functions all form part of ensuring that Jadwa has the appropriate systems in place to exceed the expectations of its clients.

Investment operations

Investment operations handles the entire operational and back office activities of asset management and brokerage as well as reconciliation of all Jadwa operations accounts and client account opening. Over the past year, we filed all the statutory reports with the regulators and auditors without any adverse comment. In addition, we entered into comprehensive service level agreements with other Jadwa departments and procured a new system for fund administration and portfolio management that will further enhance the quality of services provided.

Premises and administration

Premises and administration continuously ensured the optimum environment inside Jadwa's offices. We also refined the booking policy for travel and accommodation for staff, made all logistical arrangements for company events and procured all necessary supplies for the smooth running of the office.

Strategy

In a proactive response to the collapse in global financial markets, the strategy department fine tuned corporate strategy. A strategic planning process began in the final quarter in which all levels of management participated actively. The outcomes were fruitful and commitments were renewed to execute our long-term strategy through setting short-term objectives at both the corporate and business unit level. As a result, we are developing innovatively tailored solutions to address the investment needs and risk appetite of our existing clients and target market.

Finance

The finance department had another successful year in 2008. We introduced full costing and performance reporting by profit centers, produced Jadwa's first ever comparative financial statements and established a baseline to launch the first detailed budget for 2009. With a very low cost per transaction, we are one of the most efficient finance departments in the region. The finance department was a leader in advising the Capital Market Authority on prudential reporting best practices and Jadwa is considered a benchmark for the industry in terms of reporting timeliness and quality.

Risk management and internal audit

The department vision is to "ensure that risks borne by the business are within the Board-mandated risk appetite, through efficient and effective risk measurement, assessment and reporting". The most important function of Operations Risk management is implementing Controls and Risk Self Assessment (CRSA) which will also benefit the Internal Audit function.





Shari'ah Supervisory Board
annual statement

Shari'ah Supervisory Board annual statement for the year 2008

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



**In the name of Allah the Most Gracious the Most Merciful
Shari'ah Supervisory Board
(Annual Statement for the Year 2008)**

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

The Shari'ah supervisory board has reviewed the shari'ah internal audit reports for the year 2008, prepared by the Shari'ah Group Department on the Shari'ah compliance of the activities of the company.

After a thorough review the Shari'ah board is of the opinion that:

- 1. General Shari'ah compliance:** Shari'ah internal audit reports show that all Jadwa's dealings are in compliance with the Shari'ah board resolutions and the firm commitment of the company to be Shari'ah compliant. There were few audit remarks that do not affect the company's performance related to Shari'ah. These remarks were resolved.
- 2. Contracts and agreements:** All contracts and agreements that Jadwa have entered into during the year 2008, and was brought to our attention were Shari'ah compliant.
- 3. Profit and loss:** Profits and losses charged to the investment account are consistent with the rules Shari'ah board had approved, and are Shari'ah compliant.
- 4. Purification amounts:** Income received from prohibited sources was disposed of through distribution to charitable purposes.
- 5. Zakat:** it was calculated as per Shari'ah guidelines.

The Shari'ah board expresses its gratitude to Jadwa management and staff for their firm commitment to applying Shari'ah guidelines and resolutions. We pray to Allah Almighty to grant them success. Peace and blessings are due to prophet Muhammad, his household and companions.

Board Members

Dr. Abdullah Al Mutlaq

Chairman

Dr. Mohammad Elgari

Member



Financial Statements and
independent Auditor's Report



Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants - License No. 96
P.O. Box 213, Riyadh 11411
Kingdom of Saudi Arabia

INDEPENDENT AUDITORS' REPORT

To the shareholders
Jadwa Investment
Riyadh, Saudi Arabia

Tel : +966 (1) 4630018
Fax : +966 (1) 4630865
www.deloitte.com
Head Office: Riyadh

Scope of Audit

We have audited the accompanying balance sheet of Jadwa Investment - Saudi closed joint stock company (the "Company") as at December 31, 2008, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 22 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the articles of association of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101
Raby' Al-Awal 3, 1430
February 28, 2009



Audit . Tax . Consulting . Financial Advisory.

- 1 -

Member of
Deloitte Touche Tohmatsu

Balance Sheet as at December 31, 2008

	Notes	2008 SR	2007 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	261,211,508	26,040,796
Accounts receivable		27,563,234	78,783,683
Prepaid expenses and other assets	5	7,598,708	6,242,645
Total current assets		296,373,450	111,067,124
Non-current assets			
Available for sale investments	4	273,678,919	58,544,284
Property and equipment, net	6	26,060,155	51,799,412
Investment in associate	8	187,002,171	572,882,483
Total non-current assets		486,741,245	683,226,179
TOTAL ASSETS		783,114,695	794,293,303
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accrued expenses and other liabilities	10	23,974,203	54,849,242
Due to related parties	7	7,581,600	-
Zakat provision	9	5,995,529	2,602,128
Total current liabilities		37,551,332	57,451,370
Non-current liabilities			
End-of-service indemnities		3,140,974	1,516,930
Shareholders' equity			
Share capital	11	500,000,000	500,000,000
Statutory reserve	12	13,447,353	10,431,264
Change in fair value of available for sale of investments	4, 8	107,948,854	131,012,362
Retained earnings		121,026,182	93,881,377
Total shareholders' equity		742,422,389	735,325,003
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		783,114,695	794,293,303

Statement of Income for the year ended December 31, 2008

	Notes	2008 SR	Period from February 19, 2007 to December 31, 2007 SR
REVENUES			
Asset management		57,521,862	15,028,054
Corporate finance		50,483,382	36,932,592
Brokerage		7,628,635	3,850,779
Proprietary investment:			
- Share in net income of associate	8	19,047,578	176,347,384
- Commission income		7,741,781	15,799,873
- Realized gains sale of available for sale investments		9,765,487	14,131,076
- Dividends income		9,488,160	-
Other revenues		1,567,141	-
TOTAL REVENUES		163,244,026	262,089,758
EXPENSES			
Salaries and other benefits	13	(70,946,052)	(75,805,240)
Depreciation	6	(14,492,093)	(14,277,446)
Rent expenses		(6,186,118)	(5,113,661)
Pre-operating expenses		-	(33,025,420)
Other general and administrative expenses	14	(32,924,651)	(26,953,222)
TOTAL EXPENSES		(124,548,914)	(155,174,989)
INCOME FROM OPERATIONS		38,695,112	106,914,769
Other income	15	10,006,064	-
Restructuring costs	16	(15,146,881)	-
Income before zakat		33,554,295	106,914,769
Zakat	9	(3,393,401)	(2,602,128)
NET INCOME		30,160,894	104,312,641
Earnings per share:	17		
Income from operations		0.77	2.14
Net income		0.60	2.09

Statement of Cash Flows for the year ended December 31, 2008

	2008 SR	Period from February 19, 2007 to December 31, 2007 SR
OPERATING ACTIVITIES		
Income before zakat	33,554,295	106,914,769
Adjustments for:		
Share in net income of associate	(19,047,578)	(176,347,384)
Depreciation	14,492,093	14,277,446
Loss from write-offs of property and equipment	14,578,106	4,431,844
End-of-service indemnities	1,657,469	1,516,930
Gain from sale of available for sale investments	(9,765,487)	(14,131,076)
Gain from sale of property and equipment	(41,064)	-
Changes in operating assets and liabilities:		
Accounts receivable	51,220,449	(78,783,683)
Prepaid expenses and other assets	(1,356,063)	(6,242,645)
Accrued expenses and other liabilities	(30,875,039)	54,849,242
Due to related parties	7,581,600	-
End-of-service indemnities paid	(33,425)	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES	61,965,356	(93,514,557)
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,569,882)	(70,508,702)
Proceeds from sale of property and equipment	280,004	-
Additions to available for sale investments	(310,905,049)	(67,700,000)
Proceeds from sale of available for sale investments	25,997,019	37,731,076
Investment in associate	-	(279,967,021)
Collection of loan from associate	279,302,730	-
Dividends received from associate	182,100,534	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	173,205,356	(380,444,647)
FINANCING ACTIVITIES		
Capital contribution	-	500,000,000
Net cash from financing activities	-	500,000,000
Net change in cash and cash equivalents	235,170,712	26,040,796
Cash and cash equivalents, beginning of the year/period	26,040,796	-
Cash and cash equivalents, end of year/period	261,211,508	26,040,796
Non-cash items:		
Change in fair value of investments	(23,063,508)	131,012,362

The accompanying notes form an integral part of these financial statements

Statement of changes in Shareholders' Equity for the year ended December 31, 2008

	Share capital SR	Statutory reserve SR	Change in fair value of available for sale investments SR	Retained earnings SR	Total SR
Issue of capital	500,000,000	-	-	-	500,000,000
Change in fair value of available for sale investments	-	-	14,444,284	-	14,444,284
Changes in fair value of investments in associate	-	-	116,568,078	-	116,568,078
Net income	-	-	-	104,312,641	104,312,641
Transfer to statutory reserve	-	10,431,264	-	(10,431,264)	-
DECEMBER 31, 2007	500,000,000	10,431,264	131,012,362	93,881,377	735,325,003
Change in fair value of available for sale investments	-	-	(79,538,882)	-	(79,538,882)
Changes in fair value of investments in associate	-	-	56,475,374	-	56,475,374
Net income	-	-	-	30,160,894	30,160,894
Transfer to statutory reserve	-	3,016,089	-	(3,016,089)	-
DECEMBER 31, 2008	500,000,000	13,447,353	107,948,854	121,026,182	742,422,389

Notes to the Financial Statements for the year ended December 31, 2008

1. GENERAL

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

The principal activities of the Company are trading as principal and agent, underwriting, establishment and management of mutual funds and portfolio management, arranging, providing advisory and safekeeping services for administrative arrangements and procedures relating to investment funds, portfolio management and trading as per license of the Capital Market Authority ("CMA") number 37-6034, dated 3 Sha'baan 1427H (corresponding to August 27, 2006).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the Standard of General Presentation and Disclosure issued by the Ministry of Commerce and in compliance with the accounting standards issued by the Saudi Organization for Certified Public Accountants. The following is a summary of significant accounting policies applied by the Company:

The Company follows a fiscal year ended December 31.

Accounting convention

The financial statements are prepared under the historical cost convention except for the measurement at fair value of available for sale investments.

Cash and cash equivalents

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

Available for sale investments

Available for sale investments are stated at fair value, and the changes in fair value are included in shareholders' equity. Where the fair value is not readily determinable, such financial instruments are stated at cost less allowance for impairment in value.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income. For assets carried at cost, impairment is determined as the difference between cost and the present value of future cash flows discounted at the current market rate of return for similar financial assets.

Investment in associate

Associates are those entities in which the Company holds more than 20% but less than 50% in the share capital or otherwise can significantly influence the financial and operating policies of the investee company. Investments in associates are initially recorded at cost and subsequently accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity-accounted or recoverable amount.

Property and equipment

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

	Years
Computer hardware	4
Computer software	4
Furniture and fixtures	4
Office equipment	4
Motor vehicles	4
Leasehold improvements	7

Notes to the Financial Statements for the year ended December 31, 2008 (continued)

Pre-operating expenses

Pre-operating expenses comprise of underwriting fees, lawyers, administrators, consultants and accountants fees, various fees relating to registering the Company, advertising and promotion expenses relating to establishing the Company, costs of the share certificates and expenditure to obtain licenses, salaries, rental expenses and others.

Provisions for obligations

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

Foreign currency translation

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

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the financial statements based on the employees' length of service.

Assets under management

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

Revenue recognition

Revenue is recognized upon delivery of services to customers and is stated net of discounts. Dividends from investments are recognized when earned or publicly declared by the investee. Commission income is recognized on an accrual basis.

Zakat

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed on the Zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank current accounts and Murabaha contracts with original maturities less than three months from the acquisition date:

	2008 SR	2007 SR
Bank current accounts	12,211,508	6,540,796
Murabaha contracts	249,000,000	19,500,000
	<u>261,211,508</u>	<u>26,040,796</u>

4. AVAILABLE FOR SALE INVESTMENTS

Cost and fair value of available for sale investments as at December 31, are as follows:

	Initial cost SR	Change in fair value SR	Fair value 2008 SR	Fair value 2007 SR
Open-ended funds	202,072,527	(71,847,113)	130,225,414	58,544,284
Closed-ended funds	100,023,000	11,180,400	111,203,400	-
Equity shares	36,677,988	(4,427,883)	32,250,105	-
	<u>338,773,515</u>	<u>(65,094,596)</u>	<u>273,678,919</u>	<u>58,544,284</u>

The change in fair value of available for sale investments amounting to (SR 79,538,882) is included in shareholders' equity as at December 31, 2008 (December 31, 2007: SR 14,444,284).

5. PREPAID EXPENSES AND OTHER ASSETS

	2008 SR	2007 SR
Loans to employees	2,818,657	2,700,000
Prepaid rent	2,449,889	2,008,217
Advances to employees	790,374	385,538
Prepaid software maintenance	600,944	830,776
Others	938,844	318,114
	<u>7,598,708</u>	<u>6,242,645</u>

Notes to the Financial Statements for the year ended December 31, 2008 (continued)

6. PROPERTY AND EQUIPMENT, NET

	Computer hardware SR	Computer software SR	Furniture and fixtures SR	Office equipment SR	Motor vehicles SR	Leasehold improvements SR	Total SR
COST							
January 1, 2008	25,701,766	10,974,909	10,956,090	4,783,316	47,500	11,664,937	64,128,518
Additions	830,226	294,307	2,674,739	473,705	78,970	-	4,351,947
Disposals	(358,400)	-	-	-	-	-	(358,400)
Write-offs	(10,401,209)	-	(8,621,770)	(606,454)	-	(3,752,387)	(23,381,820)
December 31, 2008	15,772,383	11,269,216	5,009,059	4,650,567	126,470	7,912,550	44,740,245
ACCUMULATED DEPRECIATION							
January 1, 2008	6,620,411	2,739,599	1,685,253	1,165,836	11,875	888,197	13,111,171
Charges for the year	6,220,489	2,791,695	1,591,975	1,206,256	26,682	2,654,996	14,492,093
Disposals	(119,460)	-	-	-	-	-	(119,460)
Write-offs	(5,443,040)	-	(897,449)	(239,796)	-	(2,223,429)	(8,803,714)
December 31, 2008	7,278,400	5,531,294	2,379,779	2,132,296	38,557	1,319,764	(18,680,090)
NET BOOK VALUE							
December 31, 2008	8,493,983	5,737,922	2,629,280	2,518,271	87,913	6,592,786	26,060,155
December 31, 2007	19,081,355	8,235,310	10,052,902	3,617,480	35,625	10,776,740	51,799,412

7. RELATED PARTY TRANSACTIONS

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

	2008 SR	Period from February 19, 2007 to December 31, 2007 SR
Corporate finance income from partners in an associate	41,195,962	36,499,565
Brokerage income from shareholders	1,747,981	2,361,978
Rent paid to a company owned by a shareholder	722,097	1,256,015
Compensation and attendance allowances paid to board members	238,500	138,127
Purchase and sale of land with a company owned by a shareholder (Note 15)	9,965,000	-

Accounts receivable from related parties consist of the following:

	2008 SR	2007 SR
Prepaid rent to a company owned by a shareholder	649,576	584,174

Accounts payable to related parties consist of the following:

	2008 SR	2007 SR
Dividends collected on behalf of shareholders	7,581,600	-

8. INVESTMENT IN ASSOCIATE

	2008 SR	2007 SR
Beginning balance	572,882,483	-
Addition	-	279,967,021
Collection of loan	(279,302,730)	-
Share of income	19,047,578	176,347,384
Dividends received	(182,100,534)	-
Change in fair value of investments	56,475,374	116,568,078
Ending balance	187,002,171	572,882,483

The change in fair value of investments held by the associate amounting to SR 56,475,374 is included in the shareholders' equity as at December 31, 2008 (December 31, 2007: SR 116,568,078).

Notes to the Financial Statements for the year ended December 31, 2008 (continued)

9. ZAKAT

The principal elements of the zakat base are as follows:

	2008 SR	2007 SR
Share capital	500,000,000	500,000,000
Statutory reserve	10,431,264	-
Retained earnings	93,881,377	-
Investment in associate	(334,282,087)	(279,967,021)
Property and equipment	(52,328,458)	(62,707,384)
Provisions	5,085,633	-
Adjusted net income/loss	17,033,435	(45,512,497)
Zakat base	<u>239,821,164</u>	<u>111,813,098</u>

The zakat charge consists of:

	Year ended December 31, 2008 SR
Saudi shareholders share of Zakat base (100%)	239,821,164
Zakat for the period from February 19, 2007 to December 31, 2008 at 2.5%	5,995,529
Less: Zakat for the period from February 19, 2007 to December 31, 2007	(2,602,128)
Zakat for the year ended December 31, 2008 at 2.5%	<u>3,393,401</u>

The movement in the zakat provision is as follows:

	Year ended December 31, 2008 SR	Period from February 19, 2007 to December 31, 2007 SR
January 1	2,602,128	-
Provision for the year/period	<u>3,393,401</u>	<u>2,602,128</u>
December 31	<u>5,995,529</u>	<u>2,602,128</u>

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	2008 SR	2007 SR
Accrued employees salaries and related benefits	13,773,580	38,271,629
Suppliers of fixed assets	5,910,297	10,984,695
Provisions and other liabilities	4,290,326	5,592,918
	23,974,203	54,849,242

11. SHARE CAPITAL

The share capital of the Company, amounting to SR 500,000,000, is divided into 50,000,000 shares of SR 10 each.

On October 25, 2008, the Company and Khazanah Nasional Berhad ("Khazanah"), the investment arm of the Malaysian government, signed a partnership agreement previously approved by the Board of Directors in their meeting on August 6, 2008. Under the terms of the agreement, and subject to the approval of the Capital Market Authority, Jadwa Investment will issue new shares and Khazanah will acquire an equity stake in Jadwa Investment amounting to SR 342.45 million, representing 10% of Jadwa's capital after the capital increase. The above transaction is expected to be finalized during the first quarter of 2009.

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

13. SALARIES AND OTHER BENEFITS

	Year ended December 31, 2008 SR	Period from February 19, 2007 to December 31, 2007 SR
Basic salaries	32,501,949	21,684,033
Non-discretionary bonuses	12,669,061	-
Housing allowances	8,125,487	5,419,692
Transportation allowances	4,330,777	2,968,188
Insurance expenses	3,789,832	2,497,766
Discretionary performance bonuses	2,500,000	38,602,200
End of service indemnities	1,657,469	1,516,930
Others	5,371,477	3,116,431
	70,946,052	75,805,240

Notes to the Financial Statements for the year ended December 31, 2008 (continued)

14. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2008 SR	Period from February 19, 2007 to December 31, 2007 SR
Professional and consulting fees	6,329,001	2,321,144
Traveling expenses	4,850,016	1,655,388
Maintenance	4,383,003	3,400,550
Telecommunication	3,768,949	3,650,244
Advertisement	3,622,113	4,023,597
Subscription fees	2,557,943	117,796
Contractual labor	1,532,097	977,233
Printing	1,079,316	540,393
Security expenses	536,840	251,300
Conference expenses	521,744	236,813
Write-off of telecommunication equipment	-	4,431,844
Provision for operating losses	-	1,000,000
Other	3,743,629	4,346,920
	<u>32,924,651</u>	<u>26,953,222</u>

15. OTHER INCOME

	Year ended December 31, 2008 SR	Period from February 19, 2007 to December 31, 2007 SR
Gain on sale of land	9,965,000	-
Gain on sale of property and equipment	41,064	-
	<u>10,006,064</u>	<u>-</u>

On July 5, 2007, the Company and a company owned by a shareholder of Jadwa Investment, agreed to purchase four plots of land on King Fahad Road in Riyadh for a total amount of SR 29,725,000, which was settled in full by the above mentioned company. The objective of the above purchase was to build a business center with Jadwa Investment moving in its head office and a customer service branch and to rent out the other floors to third parties.

On March 3, 2008, and due to favorable market conditions and a shift in the Company's corporate strategy, the two parties decided to cancel their plans to build the investment center. As a result, the two parties sold the plots of land at an equal gain of SR 9,965,000 for each.

16. RESTRUCTURING COSTS

On December 3, 2008, the Board of Directors' Executive Committee approved the restructuring of the Business Development Department as recommended by the Company's management, resulting in the closure of the regional trading branches and the creation of a new department "Wealth Management".

The restructuring included the following:

- Closure of all trading branches located in Riyadh, Jeddah, Hafouf and Khobar;
- Write-down of the additional IT capacity associated with the shift in strategy; and
- Termination of branches' employees.

The costs associated with the restructuring amounted to SR 15.15 million as follows:

	Year ended December 31, 2008 SR
Closure of branches	
Fixtures	7,975,787
Furniture	1,277,491
Computer hardware	574,830
Office equipment	366,658
Write-down of the unutilized additional IT capacity	4,383,400
Termination of branches' employees	568,715
	<u>15,146,881</u>

17. EARNINGS PER SHARE

Earning per share from operations for the year is calculated by dividing the income from operations for the year by the weighted average number of shares for the year ended December 31, 2008 and amounting to 50 million shares.

Earning per share from net income for the year is calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2008 and amounting to 50 million shares.

18. COMMITMENTS AND CONTINGENCIES

At December 31, 2008, the Company had an outstanding commitment in the form of a letter of guarantee with respect to its share of the investment in an associate amounting to SR 330 million (2007: SR 330 million).

At December 31, 2008, the Company was holding clients' cash accounts with the company, amounting to SR 98.84 million (2007: SR 152.04 million), to be used for investments on the clients' behalf. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's financial assets consist of cash and cash equivalents, accounts receivable, available for sale investments, investment in associate and other assets and its financial liabilities consist of zakat provision other liabilities and due to related parties. The fair values of financial instruments are not materially different from their carrying values.

20. ASSETS UNDER MANAGEMENT

These represent the mutual funds' assets related to the funds unit holders managed by the Company, which amount to SR 3.68 billion as at December 31, 2008 (2007: SR 2.92 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Notes to the Financial Statements for the year ended December 31, 2008 (continued)

21. RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which are potentially subject to concentration of credit risk, consist principally of cash at bank, investments and other receivables. The Company's cash equivalents and investments are placed with banks and third parties of repute and hence the credit risk is limited. The credit risk with respect to other receivables is limited as the total amount receivable is spread over a number of accounts.

Foreign exchange risk

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

Special commission rate risk

The Company is subject to special commission rate risk on its commission bearing bank time deposits.

The sensitivity of the income is the effect of the assumed changes in special commission rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at December 31, 2008. There is no impact on the Company's shareholders' equity.

Liquidity risk

Liquidity risk is the risk that arises from the difficulty of selling an asset in a timely manner and quickly enough to prevent or minimize a loss. Liquidity risk is closely monitored by performing regular review of available funds and present and future commitments.

22. COMPARATIVE FIGURES

Certain figures for 2007 have been reclassified to conform with the presentation in the current year.

