

09

Annual Report



جدوى للاستثمار
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

Crown Prince, Deputy Prime Minister, Minister of
Defense and Aviation and Inspector General



His Royal Highness Prince
Nayef Bin Abdul Aziz Al-Saud

Second Deputy Premier, Minister of Interior

Contents

The Board Members

Chairman's Statement

Message from the CEO

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 568,490,000 Fully Paid
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The Board members



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



Tan Sri Dato' Azman Mokhtar
Member



Adib Bin Abdullah Al-Zamil
Member



Iqbal Ahmad Khan
Member



Abdulrahman Bin Ibrahim
Al-Ruwaita
Member



Abdulaziz Bin Mohammed
Al-Subeaei
Member



Michael Powell
Member



Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO

Chairman's Statement

Dear shareholders,

Jadwa Investment prospered in 2009. We enhanced our outstanding track record for execution and innovation and cemented our position among the top-tier of investment companies in the region. I am proud of our achievements since we launched our operations in March 2007. Although economic and market conditions remained tough in 2009, we found select opportunities for our clients within the Kingdom and beyond. At the same time, internally we focused on minimizing costs, enhancing operational efficiency and profitability. I am pleased to report that we recorded net income for 2009 of SR 35.6 million. I am also delighted that in 2009 we welcomed a major new shareholder, Khazanah Nasional Berhad, who acquired 10 percent of Jadwa through a new rights issue.

Through 2009 we achieved consistently high performance in our core business areas. Investment banking completed several landmark deals including acting as an advisor to one of the parties in the first public market acquisition in the Kingdom—the Al-Marai acquisition of HADCO—and closing a Jadwa private equity investment in a major Saudi food processing company. Asset management launched exciting new specialized opportunity funds in Saudi private equity and UK commercial real estate, while our flagship mutual funds were consistently among the top performers in their class as reflected by the many awards they have received. Our partnership with Russell Investments was reinforced through the launch of the Russell-Jadwa Shariah indexes. Brokerage introduced the first Shariah-compliant product in the Kingdom that allows investors to trade precious metals. The performance of proprietary investments was exemplary during 2009 despite the difficult market conditions. By increasing its position in the market early in the year it was able to achieve excellent returns while focusing on capital preservation. We maintained the no leverage policy that served us so well during the past two years. We began building our wealth management department to ensure that our product innovations are in line with our clients' needs. All these developments would not be possible without the outstanding support provided by our back office team.

Financial performance was strong in 2009. Total revenues reached SR 144 million, with asset management, proprietary investment, investment banking and brokerage all delivering significant contributions. We now have an important stream of annuity revenue that helps to shield us from market gyrations and the volatility in investment banking and private equity revenues. Greater operational efficiencies helped us achieve a notable reduction in expenditure, allowing our net profit to rise by 18 percent from SR 30 million in 2008 to SR 35.6 million in 2009. Gains from proprietary investments helped shareholders equity grow by 56 percent to SR 1,158 million or SR 20.4 book value per share.

While the government's spending stimulus and supportive monetary policy buffered the Kingdom from the impact of the global recession, local capital market activity was nonetheless slowed by weak sentiment. Prospects for the global and local economy are brighter in 2010 and beyond and I am pleased that Jadwa is positioned to benefit from the upturn as successfully as we protected ourselves, our shareholders, and our clients amid the economic storm of the past two years. We have many exciting projects in the pipeline and I am looking forward to further strong achievements ahead.

Thank you,



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

Message from the CEO

Dear shareholders,

Most of the world's economies spent the first half of 2009 in recession, while the Kingdom's economy barely grew in 2009 and the stock market significantly underperformed its emerging market peers, like China and India. The year began with the global economy reeling from the financial crisis and oil prices at under \$ 40 per barrel. To counter the effects of the recession the Saudi government took several aggressive measures that included cutting interest rates and increasing investment spending. This supportive policy environment stimulated the economy during the year and market conditions appeared poised for a notable improvement once oil and share prices had bounced from their March lows.

Market sentiment shifted quickly when it was clear that the global economy had bottomed out in spring 2009. Markets throughout the world rose sharply and the Kingdom benefited notably from this; from its mid-March lows until May 13, the TASI (Tadawul All Shares Index) rose by an average of 46 percent, however it was then that the debt troubles at two prominent local businesses emerged and these severely dented local confidence, particularly in the banking sector, which is the largest on the TASI.

For the whole of 2009 the TASI rose by 27 percent, ending the year virtually unchanged from its level on May 13. This put it over 70 percent lower than the all-time high of February 2006 and 27 percent lower than where it was when Jadwa started business in March 2007. Share trading volumes were well down; total transactions fell by 30 percent, which had a negative effect on revenues from trading commissions. The equity and debt capital markets activities decreased, which investment banking services rely on. At the end of the year credit conditions remained tight and the market languished over concerns about the financial sector. We think these concerns are unwarranted and expect conditions to improve as we move into 2010. In addition, fees from financial advisory and underwriting decreased by more than 60 percent compared to the previous year.

Despite these difficult circumstances, our financial performance was strong, we delivered SR 144 million in revenues in 2009, net income was SR 35.6 million up 18 percent over that of 2008 and shareholders' equity grew by more than 56 percent to SR 1,158 million at the end of 2009 from SR 742 million at the end of 2008. Jadwa ended the year more than doubling its book value per share to SR 20.4 the strongest growth among its peers in the Kingdom, and with no leverage. Jadwa is gaining ground against established competitors throughout the region and moving clear of the pack of new entrants.

We are beginning to reap the benefits of our heavy investment over the past few years in building a healthy platform capable of delivering strong revenues year after year. Our annuity income from assets under management will exceed SR 5 million per month, and will grow steadily as we raise fresh money during the year. This alone covers more than half of our current cost base and provides Jadwa with significant stability in the cash flow. In investment banking, we have eleven live mandates and a strong pipeline of additional deals that we have spent the past 12 months cultivating. In addition, we have large mark-to-market gains that are not reflected in shareholders' equity. If we include these, Jadwa would have grown shareholders' equity by 66 percent in 2009 at a time when most firms shrunk. Furthermore, an important part of our strategy is to build a portfolio of direct investments that we would seek to exit in 3-5 years. We have now made three such investments.

It is important to the health of our business that we manage our costs. In 2009 we saw benefits of the tough decisions in 2008 to reduce our focus on the brokerage market, write down the value of investments in brokerage and close down our investor centers. These decisions brought many benefits; most importantly, we were able to dedicate our focus and resources on our targeted investor groups, which led to greater customer satisfaction and generated more business, this resulted in increasing our assets under management from SR 3.6 billion at the end of 2008 to SR 6 billion by the end of 2009. Also, in 2010 our depreciation charges will drop by SR 9 million; further helping our profitability.

Four years have lapsed since the idea of Jadwa was first brought to the attention of its founders, and three years have passed since we launched our operations. Today, Jadwa has more than SR 6 billion in assets under management, offers a wide range of products, has entered promising investments, has completed many advisory transactions, has issued countless research reports that are widely read and circulated and has been profitable in each of its three years. We look forward to another prosperous year full of success with your support.

Thank you,



Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO



"Focusing on the future"

Company's Overview

Company's Overview

Asset management

Asset management had another highly successful year in 2009. Despite turbulence in the markets and stiff competition, the team's relentless efforts, commitment and focused management supervision enabled us to raise our assets under management, launch new products and exceed our revenue target. By the end of 2009 assets under management were approximately SR 6 billion, up by 62 percent from the end of 2008, giving Jadwa the sixth largest assets under management in the Kingdom. We enhanced our product range through the launch of specialized and sophisticated products such as the CIT Jadwa UK Special Opportunities Fund and the Jadwa Food and Beverage Opportunity Fund. We also teamed up with Russell Investments to launch the Russell-Jadwa Shariah Index family in June, which aims to become the benchmark for all managers of Islamic funds.

Jadwa's funds and DPMs have consistently performed well since inception. Most of the funds we manage outperformed their respective benchmarks in 2009 and our flagship funds in the Saudi, GCC and Arab markets were amongst the best performers in their class. These returns are the result of the strong investment process deployed by a diligent and dedicated portfolio management team. Since our inception, we have strived to raise the bar for portfolio management in Saudi Arabia and the region. We expect 2010 to be another fruitful year. We plan to develop and launch more new and innovative products and will continue to explore a distribution alliance domestically and regionally either through white labeling or by entering into agreements. Completion of our three-year track record in June 2010 will enhance our market share in the institutional segment and our funds are already receiving substantial interest from institutional clients and consultants.

Investment banking and private equity

Investment banking had a strong year in the face of challenging market conditions. The team closed three mandates, and currently has nine live mandates, several of which should be closed in 2010. The pipeline for 2010 is very promising with over two dozen strong leads

being pursued. Investment banking was very fortunate to execute some landmark deals in Kingdom in 2009 including:

- Advised Hail Agricultural Development Company in its merger with Almarai; the first public market acquisition in the Kingdom under the Capital Market Authority. A number of firsts were witnessed in this deal including the first fairness opinion, first offer document and offeree circular and the first e-vote in an EGM.
- Closed the acquisition of Gulf Union Foods Company, one of only a few private equity deals in Saudi Arabia and the region completed in 2009.
- Worked on an exciting IPO mandate during 2009 which is expected to be announced in the first quarter of 2010. The team was able to complete all regulatory filings in record time.

Wealth management

In 2009 wealth management focused on a strategy of improving its relationships with target sectors of the ultra and high net worth individual investor market and institutional clients. Many clients were highly risk averse for much the year owing to losses caused by the global financial crisis, yet by the fourth quarter most were beginning to look at new investment opportunities. We were able to attract investment from the insurance sector as that industry continued its rapid growth within the Kingdom. The launch of unique fund offerings continued to set Jadwa apart from our competition throughout the year. We developed and deployed a new customer relationship management system that will enhance our ability to meet client demands and track investment behavior as we grow the business. The launch of a consolidated statement allows our clients to have a full view of their Jadwa accounts.

Brokerage

During 2009, brokerage broadened its range of products and services and continued to attract new local and foreign customers. Our Exchange Traded Commodities is first Shariah compliant product in the Kingdom that allows investors to trade precious metals at a time when demand for these metals is booming. We now

By the end of 2009 assets under management were approximately SR 6 billion, up by 62 percent from the end of 2008, giving Jadwa the sixth largest assets under management in the Kingdom.

offer trading in the fast-growing sukuk market in both the Kingdom and GCC. Furthermore, the reputation of Jadwa's brokerage means that we are one of the very few non-rated companies to attract and maintain foreign institutional brokerage clients through the swap agreement.

Our online trading platform (Jadwa Tadawul) has now been adapted so that it is the only system in the Kingdom with a conditional order function. This permits Jadwa online brokerage clients to place their own conditional orders, which benefits those who follow certain trading strategies or who do not have the time to study the market full time. In 2010, brokerage is evaluating further new products in addition to plans to cover more international markets and other ways to enhance our market share.

Research

The research department maintained its leading position within the Kingdom during 2009. We introduced updates to our equity research reports, greatly increased the number of companies covered and continued to issue timely reports on key breaking events, in addition to the ongoing production of our core publications. In total, over new 40 reports were published simultaneously in English and Arabic.

Our reports have a large impact in the market and play an important role in promoting Jadwa. They are widely covered in the print and electronic media and are generally backed up by analyst interviews. Furthermore, they have been reliable. The bulk of our new "buy" recommendations have outperformed the market, our end-year projection for the TASI (first made in mid-March) was accurate and our oil price and economic projections were very near to the mark.

The research department, in collaboration with Wealth Management, organized a number of workshops for select groups of clients to update them on the key economic developments, the latest of which was a seminar on the future of the dollar. The Chief Economist at Jadwa participated in more than 20 economic conferences around the world as a key speaker. The department continues to execute paid mandates with select private clients, played an important role in the

Russell-Jadwa Indexes deal and provides important support for all business units.

Proprietary investment

After taking a defensive stance in 2008, last year proprietary investment stepped up activity as the Investment Committee, headed by Mr. Michael Powell and two senior Jadwa executives, concluded in the first half of the year that the time was right to seek attractively priced assets. Therefore, the team was strengthened and well-documented systematic processes for screening, approving, and tracking investments were introduced. With this view the Investment Committee approved the deployment of funds in three major investments.

- A private equity investment in the Saudi fruit juice processing firm, Gulf Union Foods Company. The transaction closed in late December, so no gain will be realized for 2009 in this investment.
- A portfolio of UK commercial properties via a fund put together by Jadwa asset management and CIT of the UK. This fund also closed in late December, so no gain will be realized for this investment in 2009. The fund aims to achieve annual returns of 8 percent and an IRR of 20 percent when exiting some of its properties.
- Investment in the Saudi stock market to take advantage of attractively valued companies with strong fundamentals. Our investments in public equities were built gradually over the year, with significant deployment of cash into stock market investments taking place in April and October. We expect the full benefit of this deployment in 2010 and beyond.

Investments in Luberef (through JIIC and fund units) had a good year as the market for Luberef products saw a significant improvement in 2009 and valuation is starting to reflect the growth in revenues that will come from an expansion. The business improvement and growth story are reflected in the equity value of JIIC and the revised valuation for the fund units.

Shariah

The Shariah Group maintained an active role in 2009, reviewing, editing and approving key agreements and product structures. The secretary of the Shariah board conducted ten meetings with the Shariah board of Jadwa and Russell Jadwa in which 33 research memorandums



Assets under management
SR 6 billion

Company's Overview (continued)

were discussed after a complete internal Shariah and technical review. The meetings resulted in the issuance of 16 Shariah board resolutions. Shariah control issued four reports to monitor the compliance of Jadwa and Russell Jadwa with the Shariah board resolutions and guidelines. These reports were submitted to Shariah board.

To enhance the awareness of Islamic banking, the Shariah group issued a publication on Fiqh of dealings and conducted a forum on derivatives. In 2010, the group is planning to arrange seven meetings with the Shariah board of Jadwa and Russell Jadwa and to write 25 product research memorandums to submit to the Shariah board. It is also planning to conduct a training course for all Jadwa employees on Islamic financial dealings (the material for which has been written), write two educational reports and conduct a workshop on the Shariah investment field.

Legal department

The legal department continues to provide professional legal assistance to all business units, support groups, and executives to assist them achieving their goals. Legal department played an important role in all of the company's key deals in 2009. Among these major deals are; Shaker IPO, CIT UK Jadwa Fund, The Swap Agreement, Hadco Financial Advisory Agreement and Jabal Khandamah Advisory Agreement.

Compliance & AML unit

Compliance & AML unit aim to ensure that Jadwa employees become accountable for compliance with the laws & regulations as well as Jadwa Code of Conduct. The unit completed a wide variety of assignments in 2009, it has completed the development of Jadwa's Generic Compliance Program, developed the Compliance Awareness and Training Program for 2009/2010, which provides various educational tools, training, and certification programs.

Corporate secretary office

The corporate secretary continues to provide its services to Jadwa's stakeholders as well as to act a focal point of communication between the Board of Directors and executives is always an observant of the value of transparency and accountability. During 2009, the corporate secretary office conducted the extra ordinary

general assembly of the Shareholders to approve the entry of Khazanah Nasional Berhad as a new shareholder in Jadwa Investment, updated the Shareholders registry, organized the 7th, 8th and 9th Board of Directors meeting, followed-up the board action items and created the 2009 Executive Calendar.

Corporate communications

Corporate communications worked closely with all business units to align the positioning of Jadwa with a challenging investment environment both within the Kingdom and worldwide. We prepared media campaigns for key product launches and transactions and organized sponsorships to enhance the Jadwa brand. In addition, corporate communications planned and executed client events and internal campaigns. Corporate communications also strived to help Jadwa compete for some of the most prestigious awards in finance by investigating the prequalification requirements and putting together profiles that best describe the operations of Jadwa. Its efforts paid dividends, with Jadwa winning awards from Euromoney, Failaka and World Finance.

Information technology

The information technology department remains at the forefront of providing business-driven solutions to internal and external clients. During 2009 we continued to launch new products and enhance existing services. 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 and information security functions all form part of ensuring that Jadwa has the appropriate systems in place to exceed the expectations of its clients. Among our major achievements were the first Bloomberg automatic order-routing system in the Middle East and the first e-voting system in the Kingdom. In addition, we implemented the infrastructure for commodities and sukuk trading, new back office and customer relations systems for asset management and wealth management, and greatly enhanced the brokerage and trading infrastructure.

Investment operations

Investment operations principally support asset management and brokerage. We successfully completed the audit of the 2008 financial report for 15 funds

Our efforts paid dividends, with Jadwa winning awards from Euromoney, Failaka and World Finance.



and mid-year review of 14 funds for 2009, and the initial processing and unit allocation of two new funds launched during 2009. Currently, the department generates 37 valuations per week for 15 funds and 120 valuations a week for DPMs. A new system called Advent has been procured and implemented successfully for fund administration, fund accounting and unit holders' record maintenance.

Human resources and administration

HR has continued to develop in line with strategic business needs and regulatory requirements. In December 2009, the administration and premises department was merged with HR. Many services provided by this department have been automated enabling us to greatly improve response times. Over 2010 we aim to review and streamline administrative policies and procedures, take more measures to determine and satisfy staff developmental needs and automate further services.

Strategic planning

Throughout the year, the strategic planning unit strived to provide insight and support to fulfill Jadwa's vision and aspirations. As a result of an extensive strategic planning session at the end of 2008, annual operating plans for all departments were created and implemented during the year. Continuous monitoring and feedback was provided to top management on the implementation of these plans. The strategic planning department also ensured that all action items from the Board of Directors and Executive Committee that were commissioned for 2009 were accomplished. We managed the engagement of two top tier management consultancies and utilized the results to fine tune our strategy and produce our departmental annual operating plans for the year, from which we distilled employees' annual objectives. We plan to engage one of these consultants to develop Jadwa's strategic plan for the next three years.

Finance

Finance department completed another successful year in 2009. Building on the success of the last three years, the department used its internal resources to develop an in house budgetary reporting system. The system will be used as a tool for monitoring financial performance in 2010. The department achieved all its key performance

indicators for 2009 and timely delivered quality and reliable financial reports. The department is considered one of the most effective and efficient running the full suite of Oracle financials amongst all CMA regulated companies. We are also working alongside regulatory authorities in the refinement and implementation of the prudential reporting regulations to achieve country-wide best practices.

Risk management

Risk management continued to play a vital role in identifying, managing and mitigating enterprise-wide risks. During the year a board driven initiative culminated in the highlighting of key enterprise-wide risks and the preparation of an operational risk register in collaboration with KPMG. Under the supervision of the CEO and the Audit and Risk Committee, which reports directly to the company board, risk management is charged with taking the necessary measures to ensure that all such risks are eliminated.

Operating office

The COO's office has continued its efforts to support the business lines in aligning with company strategy and smoothed the process through a new system of enhanced internal communications. Cost-cutting and work optimization played a critical role in achieving our plans in 2009. In particular, IT infrastructure was right-sized and various contracts were favorably renegotiated. Continuous, smooth and controlled back office operations and IT activities have been maintained with higher standards and minimal error rates.

PMO

A new PMO methodology has been developed and applied, which has had a great impact on execution and alignment of resources. We have exceeded our process mapping target and automated key processes that can now be executed through the intranet. In addition, we worked on the e-voting system, the first certified by Tadawul, and launched important innovations to the electronic brokerage service. The PMO director is responsible for ensuring that projects that are planned or underway are implemented according to plan in terms of time, cost and quality.



A close-up, macro photograph of a leaf, showing the intricate network of veins. The veins are a light green color, contrasting with the slightly darker green of the leaf's surface. The pattern of the veins is complex and organic, with smaller veins branching off from larger ones. The lighting is soft, highlighting the texture of the leaf.


"Fulfilling our vision"

Shari'ah Supervisory Board annual statement

Shari'ah Supervisory Board annual statement for the year 2009

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.

الهيئة الشرعية
Shariah Supervisory Board



جدوى للاستثمار
Jadwa Investment

In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD
(Annual Statement for the Year 2009)

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


The Shariah supervisory board has reviewed the shariah internal audit reports for the year 2009, prepared by the Shariah Group Department on the Shariah compliance of the activities of the company.

After a thorough review, the Shariah board is of the opinion that:


- 1. General Shariah compliance:** Shariah internal audit reports show that all Jadwa's dealings are in compliance with the shariah board resolutions and the firm commitment of the company to be Shariah complaint. There were few audit remarks that do not affect the company's performance related to shariah. These remarks are in the repair process.
- 2. Contracts and agreements:** All contracts and agreements that Jadwa have entered into during the year 2009, and brought to our attention, were Shariah compliant.
- 3. Profit and loss:** profits and losses charged to the investment account are consistent with the rules that the Shariah board had approved, and therefore are shariah compliant.
- 4. Purification amounts:** income received from prohibited sources was disposed of through distribution to charitable purposes.
- 5. Zakat:** it was calculated as per shariah guidelines.

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

Board Members



Dr. Abdullah Al Mutlaq
Chairman



Dr. Mohammad Elgari
Member

شركة مساهمة سعودية مقفلة، مخصصة من قبل هيئة السوق المالية، رأس المال 500,000,000 ريال سعودي مدفوع بالكامل
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"Reflecting our genuine efforts"

Financial Statements and independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

To the shareholders
Jadwa Investment
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying balance sheet of Jadwa Investment - Saudi closed joint stock company (the "Company") as at December 31, 2009, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 24 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 statements 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, 2009, 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.

Ehsan A. Makhdoom
License No. 358
Safar 17, 1431
February 1, 2010



Audit, Tax, Consulting, Financial Advisory. - 1 -

Member of
Deloitte Touche Tohmatsu

Balance Sheet as at December 31, 2009

	Notes	2009 SR	2008 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	7,580,298	261,211,508
Accounts receivable		58,854,111	27,563,234
Held for trading investment	4	187,722,882	-
Prepaid expenses and other assets	6	5,320,375	7,598,708
Total current assets		259,477,666	296,373,450
Non-current assets			
Available for sale investments	5	726,779,395	273,678,919
Property and equipment, net	7	16,478,022	26,060,155
Investment in an associate	9	175,675,947	187,002,171
Total non-current assets		918,933,364	486,741,245
TOTAL ASSETS		1,178,411,030	783,114,695
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accrued expenses and other liabilities	11	14,429,507	23,974,203
Due to related parties	8	-	7,581,600
Zakat and income tax provision	10	1,435,384	5,995,529
Total current liabilities		15,864,891	37,551,332
Non-current liabilities			
End-of-service indemnities		4,467,773	3,140,974
Shareholders' equity			
Share capital	12	568,490,000	500,000,000
Share premium	12	273,960,000	-
Statutory reserve	13	17,007,929	13,447,353
Change in fair value of available for sale of investments	5, 9	146,984,459	107,948,854
Retained earnings		151,635,978	121,026,182
Total shareholders' equity		1,158,078,366	742,422,389
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,178,411,030	783,114,695

Statement of Income for the year ended December 31, 2009

	Notes	2009 SR	2008 SR
REVENUES			
Asset management		60,735,631	57,521,862
Corporate finance		28,412,300	50,483,382
Brokerage		5,789,907	7,628,635
Proprietary investment:			
- Gain on sale of share in an associate	8	20,459,999	-
- Share in net income of an associate	9	6,241,370	19,047,578
- Commission income		1,006,395	7,741,781
- Realized losses on sale of available for sale investments		(951,399)	9,765,487
- Realized gains on held for trading investment		14,393,924	-
- Unrealized losses on held for trading investment		(2,204,080)	-
- Dividends income		9,766,657	9,488,160
Other revenues		924,844	1,567,141
TOTAL REVENUES		144,575,548	163,244,026
EXPENSES			
Salaries and other benefits	14	(74,409,924)	(70,946,052)
Depreciation	7	(9,942,562)	(14,492,093)
Rent expenses		(3,576,570)	(6,186,118)
Other general and administrative expenses	15	(20,132,148)	(32,924,651)
TOTAL EXPENSES		(108,061,204)	(124,548,914)
INCOME FROM OPERATIONS		36,514,344	38,695,112
Other income	16	2,428,363	10,006,064
Restructuring costs	17	(2,960,253)	(15,146,881)
Income before zakat		35,982,454	33,554,295
Zakat	10	(376,698)	(3,393,401)
NET INCOME		35,605,756	30,160,894
Earnings per share:	18		
Income from operations		0.67	0.70
Net income		0.65	0.55

Statement of Cash Flows for the year ended December 31, 2009

	2009 SR	2008 SR
OPERATING ACTIVITIES		
Income before zakat	35,982,454	33,554,295
Adjustments for:		
Share in net income of an associate	(6,241,370)	(19,047,578)
Depreciation	9,942,562	14,492,093
Loss from write-offs of property and equipment	-	14,578,106
End-of-service indemnities	1,465,464	1,657,469
Realized losses on sale of available for sale investments	951,399	(9,765,487)
Unrealized losses on held for trading investment	2,204,080	-
Realized gains on sale of held for trading investment	(14,393,924)	-
Gain on partial disposal of investment in an associate	(20,459,999)	-
Gain from sale of property and equipment	(2,428,363)	(41,064)
Changes in operating assets and liabilities:		
Accounts receivable	(31,290,877)	51,220,449
Prepaid expenses and other assets	2,278,333	(1,356,063)
Accrued expenses and other liabilities	(9,544,696)	(30,875,039)
Due to related parties	(7,581,600)	7,581,600
End-of-service indemnities paid	(138,665)	(33,425)
Zakat and income tax paid	(6,372,227)	-
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(45,627,429)	61,965,356
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,801,373)	(3,569,882)
Proceeds from sale of property and equipment	3,869,307	280,004
Additions to available for sale investments	(429,160,028)	(310,905,049)
Proceeds from sale of available for sale investments	29,874,981	25,997,019
Proceeds from sale of held for trading investment	(175,533,038)	-
Proceeds from partial sale of investments in an associate	22,296,370	-
Collection of loan from an associate	-	279,302,730
Dividends received from an associate	-	182,100,534
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(550,453,781)	173,205,356
FINANCING ACTIVITIES		
Issue of new share capital	68,490,000	-
Share premium	273,960,000	-
Net cash from financing activities	342,450,000	-
Net change in cash and cash equivalents	(253,631,210)	235,170,712
Cash and cash equivalents, beginning of the year	261,211,508	26,040,796
Cash and cash equivalents, end of year	7,580,298	261,211,508
Non-cash items:		
Change in fair value of investments	39,045,605	(23,063,508)

Statement of changes in Shareholders' Equity for the year ended December 31, 2009

	Share capital SR	Share premium SR	Statutory reserve SR	Change in fair value of available for sale investments SR	Retained earnings SR	Total SR
January 1, 2008	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
Issue of new share capital	68,490,000	273,960,000	-	-	-	342,450,000
Change in fair value of available for sale investments	-	-	-	54,766,828	-	54,766,828
Changes in fair value of investments in associate	-	-	-	(15,731,223)	-	(15,731,223)
Net income	-	-	-	-	35,605,756	35,605,756
Transfer to statutory reserve	-	-	3,560,576	-	(3,560,576)	-
Zakat and income tax provision (Note 10)	-	-	-	-	(1,435,384)	(1,435,384)
December 31, 2009	568,490,000	273,960,000	17,007,929	146,984,459	151,635,978	1,158,078,366

Notes to the Financial Statements for the year ended December 31, 2009

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 3 Safar 1428 H (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 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 and held for trading investment, and the measurement of investment in an associate using equity method.

Cash and cash equivalents

Cash and cash equivalents include bank current accounts and 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.

Held for trading investment

Held for trading investment is stated at fair value. The unrealized and realized gains and losses from sale of held for trading investment are recorded in the statement of income.

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

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.

Notes to the Financial Statements for the year ended December 31, 2009 (continued)

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 and income tax

The Company is subject to the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is charged to the Saudi shareholders' equity account while income tax is charged to the foreign shareholders' equity account. Zakat and income tax are provided for on an accrual basis. The zakat charge is computed on the Zakat base. Income tax is computed on the adjusted net income. 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:

	2009 SR	2008 SR
Bank current accounts	1,580,298	12,211,508
Murabaha contracts	6,000,000	249,000,000
	<u>7,580,298</u>	<u>261,211,508</u>

Bank current accounts and Murabaha contracts are placed with counterparties who have good credit ratings.

Murabaha contracts are made for varying periods between one day and three months depending on the cash requirements of the Company. All deposits result in an average commission rate of 0.70% per annum (31 December 2008: 2.68% per annum).

The carrying amounts disclosed above reasonably approximate fair value at the balance sheet date.

4. HELD FOR TRADING INVESTMENT

The held for trading investment as at December 31, consists of the following:

	2009 SR	2008 SR
Investment in Discretionary Portfolio Management Fund	187,722,882	-

5. 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 2009 SR	Fair value 2008 SR
Open-ended funds	287,049,561	19,159,939	306,209,500	130,225,414
Closed-ended funds	304,414,984	(25,906,951)	278,508,033	111,203,400
Equity shares	145,642,620	(3,580,758)	142,061,862	32,250,105
	<u>737,107,165</u>	<u>(10,327,770)</u>	<u>726,779,395</u>	<u>273,678,919</u>

The change in fair value of available for sale investments amounting to SR (10,327,770) is included in Shareholders' equity as at December 31, 2009 (December 31, 2008: SR (65,094,598)).

Notes to the Financial Statements

for the year ended December 31, 2009 (continued)

6. PREPAID EXPENSES AND OTHER ASSETS

	2009 SR	2008 SR
Loans to employees	2,499,731	2,818,657
Prepaid rent	1,256,390	2,449,889
Advances to employees	848,270	790,374
Prepaid software maintenance	209,019	600,944
Others	506,965	938,844
	<u>5,320,375</u>	<u>7,598,708</u>

7. 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, 2009	15,772,383	11,269,216	5,009,059	4,650,567	126,470	7,912,550	44,740,245
Additions	214,200	1,343,874	87,085	21,514	-	134,700	1,801,373
Disposals	(143,708)	-	(540,761)	(91,665)	-	(664,810)	(1,440,944)
December 31, 2009	<u>15,842,875</u>	<u>12,613,090</u>	<u>4,555,383</u>	<u>4,580,416</u>	<u>126,470</u>	<u>7,382,440</u>	<u>45,100,674</u>
ACCUMULATED DEPRECIATION							
January 1, 2009	7,278,400	5,531,294	2,379,779	2,132,296	38,557	1,319,764	18,680,090
Charges for the year	3,836,779	2,825,604	1,019,252	1,122,474	31,617	1,106,836	9,942,562
December 31, 2009	<u>11,115,179</u>	<u>8,356,898</u>	<u>3,399,031</u>	<u>3,254,770</u>	<u>70,174</u>	<u>2,426,600</u>	<u>28,622,652</u>
NET BOOK VALUE							
December 31, 2009	<u>4,727,696</u>	<u>4,256,192</u>	<u>1,156,352</u>	<u>1,325,646</u>	<u>56,296</u>	<u>4,955,840</u>	<u>16,478,022</u>
December 31, 2008	<u>8,493,983</u>	<u>5,737,922</u>	<u>2,629,280</u>	<u>2,518,271</u>	<u>87,913</u>	<u>6,592,786</u>	<u>26,060,155</u>

8. RELATED PARTY TRANSACTIONS

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

	2009 SR	2008 SR
Corporate finance income from partners in	1,900,000	41,195,962
Brokerage income from shareholders	1,331,926	1,747,981
Rent paid to a company owned by a shareholder		722,097
Gain on sale of shares in an associated	20,459,999	-
Compensation and attendance allowances paid to executive committee (Note 15)	206,632	238,500
Purchase and sale of land with a company owned by a shareholder (Note 16)	-	9,965,000

Accounts receivable from related parties consist of the following:

	2009 SR	2008 SR
Prepaid rent to a company owned by a shareholder	-	649,576
Account receivables from a shareholder	22,296,371	-

Accounts payable to related parties consist of the following:

	2009 SR	2008 SR
Dividends collected on behalf of shareholders	-	7,581,600

9. INVESTMENT IN AN ASSOCIATE

	2009 SR	2008 SR
Beginning balance	187,002,171	572,882,483
Disposal	(1,836,371)	-
Collection of loan	-	(279,302,730)
Share of income	6,241,370	19,047,578
Dividends received	-	(182,100,534)
Change in fair value of investments	(15,731,223)	56,475,374
Ending balance	175,675,947	187,002,171

The change in fair value of investments held by the associate amounting to SR (15,721,223) is included in the Shareholders' equity as at December 31, 2009 (December 31, 2008: SR 56,475,374). Total accumulated change in fair value of investment picked up by the Company as a result of the application of the equity method of accounting since inception, amounted to SR 157,312,229 as at December 31, 2009 (December 31, 2008: SR 173,043,452).

Notes to the Financial Statements for the year ended December 31, 2009 (continued)

10. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	2009 SR	2008 SR
Share capital	500,000,000	500,000,000
Statutory reserve	13,447,353	10,431,264
Retained earnings	121,026,182	93,881,377
Investments	(755,470,882)	(334,282,087)
Property and equipment	(16,478,022)	(52,328,458)
Provisions	3,940,974	5,085,633
Adjusted net income	37,309,253	17,033,435
Zakat base	(96,225,142)	239,821,164

Zakat

	2009 SR	2008 SR
Portion of the Saudi shareholders' adjusted net income/zakat base (2009: 90%, 2008: 100%)	34,436,952	239,821,164
Zakat for the year (2.5%)	860,924	3,393,401

Income Tax

	2009 SR	2008 SR
Portion of adjusted net income for non-Saudi shareholders (2009: 10%, 2008: 0%)	2,872,301	-
Income tax for the year (20%)	574,460	-

The movement of the provision for zakat and income tax is as follows:

	2009 SR	2008 SR
Beginning of year	5,995,529	2,602,128
Under provision of previous year	376,698	-
Provision for the year	1,435,384	3,393,401
Payment during the year	(6,372,227)	-
Total zakat and income tax	1,435,384	5,995,529

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 SR	2008 SR
Accrued employees salaries and related benefits	13,568,800	13,773,580
Suppliers of fixed assets	360,707	5,910,297
Provisions and other liabilities	500,000	4,290,326
	<u>14,429,507</u>	<u>23,974,203</u>

12. SHARE CAPITAL

At December 31, 2009, the Company's share capital consisted of 56,849,000 shares (2008: 50,000,000 shares) issued and outstanding. During the year ended December 31, 2009, 6,849,800 new shares of SR 10 each were issued after the approval by the shareholders at their Extraordinary General Assembly meeting held on April 15, 2009 to increase the share capital of the Company from SR 500,000,000 to SR 568,490,000 which resulted in a share premium amounting to SR 273,960,000.

13. 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.

14. SALARIES AND OTHER BENEFITS

	2009 SR	2008 SR
Basic salaries	33,917,451	32,501,949
Non-discretionary bonuses	6,572,500	12,669,061
Housing allowances	8,473,394	8,125,487
Transportation allowances	4,426,532	4,330,777
Insurance expenses	3,672,334	3,789,832
Discretionary performance bonuses	11,000,000	2,500,000
End of service indemnities	1,465,465	1,657,469
Others	4,882,248	5,371,477
	<u>74,409,924</u>	<u>70,946,052</u>

Notes to the Financial Statements for the year ended December 31, 2009 (continued)

15. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR	2008 SR
Professional and consulting fees	3,317,278	6,329,001
Traveling expenses	2,208,542	4,850,016
Maintenance	2,743,963	4,383,003
Telecommunication	1,572,188	3,768,949
Advertisement	1,926,941	3,622,113
Subscription fees	2,843,602	2,557,943
Contractual labor	1,359,360	1,532,097
Printing	312,078	1,079,316
Insurance	369,749	68,333
Utilities	493,085	598,507
Security expenses	359,080	536,840
Withholding taxes	310,933	431,659
Conference expenses	39,519	521,744
Training	87,351	123,566
Compensation and attendance allowances paid to executive committee (Note 8)	206,632	238,500
Other	1,981,847	2,283,064
	<u>20,132,148</u>	<u>32,924,651</u>

16. OTHER INCOME

	2009 SR	2008 SR
Gain on sale of land	-	9,965,000
Gain on sale of property and equipment	2,428,363	41,064
	<u>2,428,363</u>	<u>10,006,064</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.

17. 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 2.96 million as follows:

	2009 SR	2008 SR
Closure of branches		
Rent expenses	1,924,590	-
Fixtures	1,035,663	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
	2,960,253	15,146,881

18. EARNINGS PER SHARE

Earnings 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, 2009 and 2008 and amounting to 54.879 million shares.

Earnings per share from net income for the year is calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2009 and 2008 and amounting to 54.879 million shares.

19. COMMITMENTS AND CONTINGENCIES

At December 31, 2009, 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 285 million (2008: SR 330 million).

20. CLIENTS' CASH ACCOUNTS

At December 31, 2009, the Company was holding clients' cash accounts with the Company, amounting to SR 131.38 million (2008: SR 98.84 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.

21. 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.

22. ASSETS UNDER MANAGEMENT

These represent the mutual funds' assets related to the funds unit holders managed by the Company, which amount to SR 6 billion as at December 31, 2009 (2008: SR 3.68 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, 2009 (continued)

23. 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.

Commission rate risk

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

The sensitivity of the income is the effect of the assumed changes in 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.

24. COMPARATIVE FIGURES

Certain figures for 2008 have been reclassified to conform with the presentation in the current year.

