

2011

Annual Report



جدوى للاستثمار
Jadwa Investment





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



His Royal Highness Prince
Nayef Bin Abdul Aziz Al-Saud
Crown Prince, Deputy Prime Minister
and Minister of Interior



His Royal Highness Prince
Salman Bin Abdul Aziz Al-Saud
Minister of Defense

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Jadwa Investment
A Saudi Closed Joint Stock Company,
licensed by the Capital Market Authority,
Capital SAR 568,490,000 Fully Paid
Phone +966 1 279-1111 Fax +966 1 279-1571
P.O. Box 60677, Riyadh 11555, Saudi Arabia

www.jadwa.com

Board of Directors



HRH Prince Faisal Bin Salman
Bin Abdul Aziz 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,

I am delighted to share with you the details of another record year for Jadwa Investment and the accomplishment of five successful and profitable years in business. Over our five years of operations we have established an unrivalled track record for deal execution, fund performance and profitability despite tough market conditions. I look forward to building on this achievement and seeing Jadwa go from strength to strength in 2012 and beyond.

The global economy faltered in 2011. Natural disasters and political turbulence complicated an environment in which government austerity measures worldwide were already dampening growth. Markets were buffeted by problems in the Eurozone and rising debt levels in many key economies. Nervousness about exposure to debt and tougher regulation caused serious strains in the global financial sector. Emerging markets were affected, and faced their own challenges in tackling inflation and high credit growth. Nonetheless, growth in the emerging world remained healthy and business opportunities abundant.

The contrast between the global economy and that of the Kingdom could not be greater. For Saudi Arabia, 2011 was a year of very strong economic performance. Non-oil growth was at its highest for 30 years, a large budget surplus was recorded and inflation was contained. Businesses and consumers benefitted from generous government spending while government debt was reduced. Far-sighted policy decisions were taken that should tackle some long-standing challenges and further measures were enacted to improve the business environment.

While the real economy was healthy, it was another tough year for investment companies. Advisory and arranging activities declined, the flow of deals narrowed, and intense competition maintained pressure on fees. Performance of the public equity market was also unfavorable. Listed company profit growth was encouraging, but share prices generally fell in 2011 as investors' risk appetite was tested by tensions in other parts of the region.

In this environment, it gives me great pleasure to report that Jadwa's performance was commendable. We secured compelling new investment opportunities for our clients, won a number of high-profile awards and posted another year of record revenues and profits. Transactions were executed that will help our clients participate in the burgeoning real economy, including the purchase of a significant stake in Al Zamil Company for Industry, Trade and Transport, an enterprise well-positioned to profit from the house-building boom in the Kingdom.

The Investment Banking department put in place a pipeline of attractive deals and enhanced its post-acquisition services to portfolio companies. The mutual funds managed by our Asset Management department maintained their stellar performance, with two of our flagship funds the best performers in their classes. Proprietary Investments navigated turbulent market conditions successfully to post record revenues while minimizing losses in global stock markets and our Research team issued a series of well-received reports. I am also pleased to report the opening of a state-of-the-art office in Jeddah, enabling us to better serve our clients in one of the Kingdom's key markets. Reflecting the successes across all business lines, Jadwa won Global Finance magazine's "World's Best Islamic Investment Bank" award.

I would like to emphasize the importance of our staff; the key to our achievements. Our people are the foundation of the present and future of Jadwa. In 2011 we made a major investment in staff training to ensure that we retained the best talent in the Kingdom. In addition, we held a variety of social and team-building events for our employees.

Financial performance reached new highs in 2011. Net income was SR 131 million, up by more than 19 percent over 2010, which was previously our record year. Total revenues surpassed SR 272 million, again a new high, and their distribution improved across the three main revenue lines of Proprietary Investments, Asset Management and Investment Banking. In recognition of our outstanding results, the Board of Directors has recommended distribution of a dividend of SR 1.5 per share, a 50 percent increase on the amount in 2010 and equivalent to 15 percent of the par value per share. After five profitable years we have raised shareholder's equity from our initial level of SR 500 million to SR 1.3 billion, equivalent to SR 23.42 per share.

I am excited about the prospects for 2012. The track record we have built over our first five years positions Jadwa to prosper amid another year of robust economic performance for the Kingdom. Our execution ability is proven and even with uncertainty clouding the global outlook, I am confident that we can deliver premier investment opportunities to our clients and superior returns to our shareholders. I look forward to another rewarding year ahead.

Thank you,

A blue ink handwritten signature, appearing to be 'Faisal', written over a horizontal line.

Faisal Bin Salman Bin Abdul Aziz Al-Saud
Chairman of the Board of Directors

Message from the CEO

Dear shareholders,

I am pleased to report that for the second year in a row, and the third time in our five year operating history, we delivered triple-digit net profits. We achieved 2011 revenues of SR 272 million, and profits of SR 131 million. In the five years since we launched Jadwa with initial capital of SR 500 million, we have delivered combined profits of more than SR 412 million while growing our capital to SR 1.3 billion. Considering the challenging environment since 2008, this achievement makes me very proud.

In 2011 global and regional economies experienced several shocks that lowered risk appetite and slowed economic growth. Europe faced a Sovereign Debt Crisis that remains unresolved at the start of 2012. Uncertainty over the future of the Eurozone resulted in a dramatic jump in borrowing costs for several EU countries. Fears of slowing global growth, including a recession in Europe, weakened most global stock markets and commodity prices. Oil prices remained strong, but that was in part due to regional issues such as damage to Libyan oil production and export infrastructure during internal conflict.

Regionally, we lived through interesting times. The Egyptian stock market dropped by 49 percent in 2011, as mass protests led to governmental changes but also major uncertainty in the business community. Many GCC countries had expansionary budgets, resulting in short-term economic stimulus. Investors were uncertain about longer-term fiscal sustainability, however, and most regional stock markets fell during the year.

In Saudi Arabia, the real economy continues to perform strongly, supported by large government spending, and companies continue to grow profits. Sectors that performed well include the petrochemical companies, cement, industrial investment, building and construction, and hotels and tourism.

However, there is a major disconnect between the real economy and the financial markets. Risk appetite remains low. New lending to the private sector remains lower than historical trend levels for the fourth year in a row, reducing the amount of capital available for businesses and private individuals to invest. Equity mutual funds experienced outflows of SR 2,863 million during the year. Bank deposits have grown by SR 119 billion over the year, reaching more than SR 1.1 trillion, despite generating returns close to zero. The TASI dropped by 3.1 percent, with the price-to-earnings ratio falling from 18.0 to 13.9 during the year. Brokerage volumes were up by 45 percent from 2010, but are still 57 percent below the levels when we launched Jadwa in 2007.

Capital Markets activity was low for the year. IPO volumes in the Kingdom reached SR 1.6 billion from 4 issues, well below the SR 27 billion average during 2007-2008. Debt Capital Markets issuances were approximately SR 10 billion from 5 issuances, in line with averages since 2008 but below the 2007 mark of SR 19 billion.

On the competitive front, the industry continues to see more exits than entrances, with the number of CMA licensed investment banks shrinking by 23 from its 2008 peak of 107. Only three new licenses were issued during the year.

In this challenging business environment, we delivered strong performance. Shareholders' Equity grew, driven by record profits and good growth in the value of our proprietary investments.

In Asset Management, we continued our stellar track record for fund performance. Our Saudi, GCC and Arab Markets Funds were top quartile performers for the fourth year in a row. No other Saudi asset manager has achieved this consistent performance, and only three have been top quartile more than once since we launched our funds in June 2007. The overall performance of our products remains very strong: a client that invested in every product we have offered since 2007 would have gained 57.7 percent through 2011. For comparison, the TASI was down 12.5 percent over this period. In 2011 we offered clients several new and interesting investment opportunities, including Al Zamil Company for Industry, Trade and Transport, the second phase of King's Reach Tower, and the secondary sell down of United Matbouli Group.

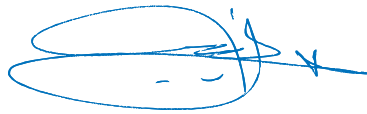
We had a busy year in Investment Banking, closing four deals, originating four new deals, and working on a strong pipeline of deals that now includes several IPOs and M&A transactions. As part of our new strategy adopted in 2010, we made significant progress in post-acquisition services for our portfolio companies: Gulf Union Food Company, United Matbouli Group, Al Zamil Company for Industry, Trade and Transport, and Luberef.

In Proprietary Investments, our portfolio grew in value based on the strong performance of several of our merchant banking and real estate investments and in Research we published several high-profile reports, including our ground-breaking Oil and Fiscal Challenge report, which received substantial coverage.

Across the firm we continued to put in place enablers critical to our future success. We worked on several projects, including the CEO Dashboard and the launch of our upgraded corporate website. We invested heavily in our staff through our largest-ever training budget, and we added several new staff. Our expectations for the Saudi economy in 2012 are consistent with our 2011 outlook: bullish on the performance of the Saudi real economy but no clarity on risk appetite. The real economy, powered by demographics, high oil prices and stimulative government budgeting will continue to grow, and we expect construction-linked sectors, retail and fast moving consumer goods, education and healthcare to benefit. When risk appetite does return, we expect significant pent up demand from corporates to raise debt and equity, resulting in very active capital markets.

Overall, we had a strong year in 2011 and are well positioned for 2012.

Thank you,

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a horizontal line and a small 'X' at the end.

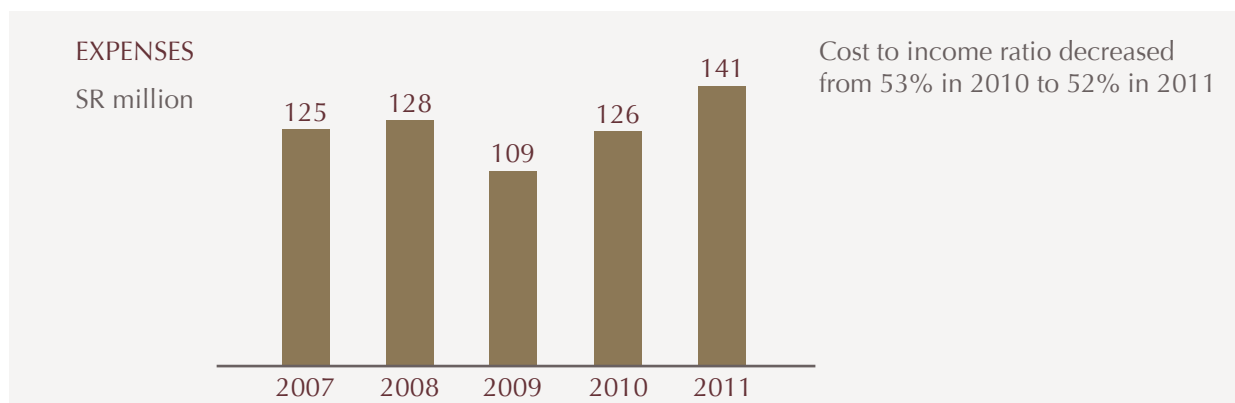
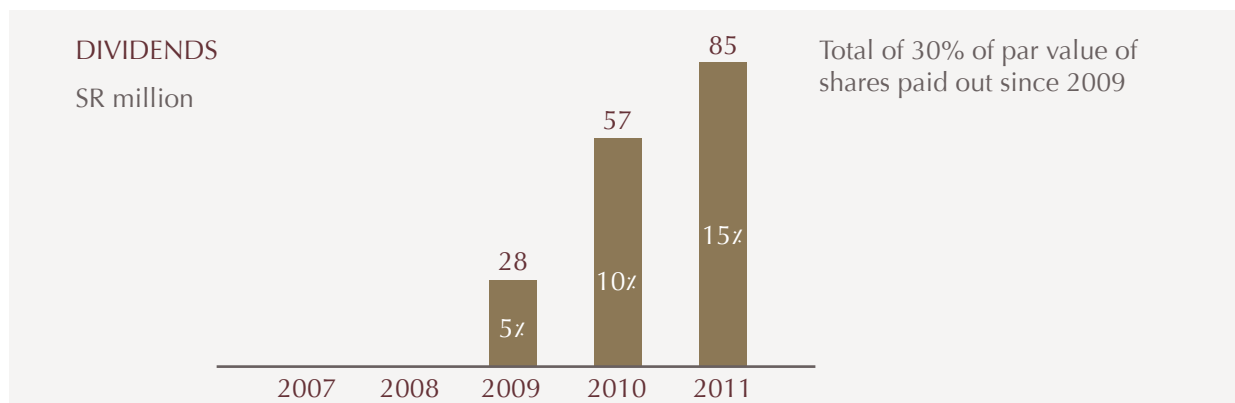
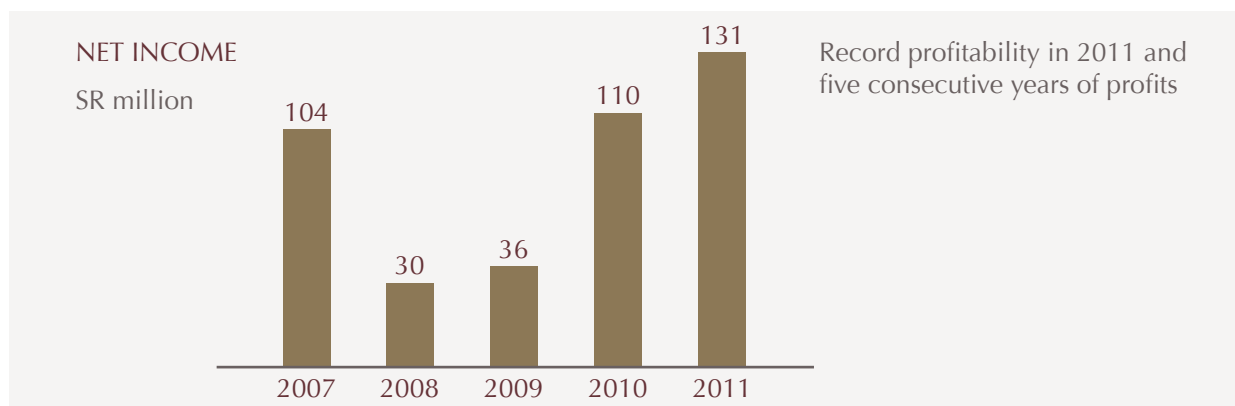
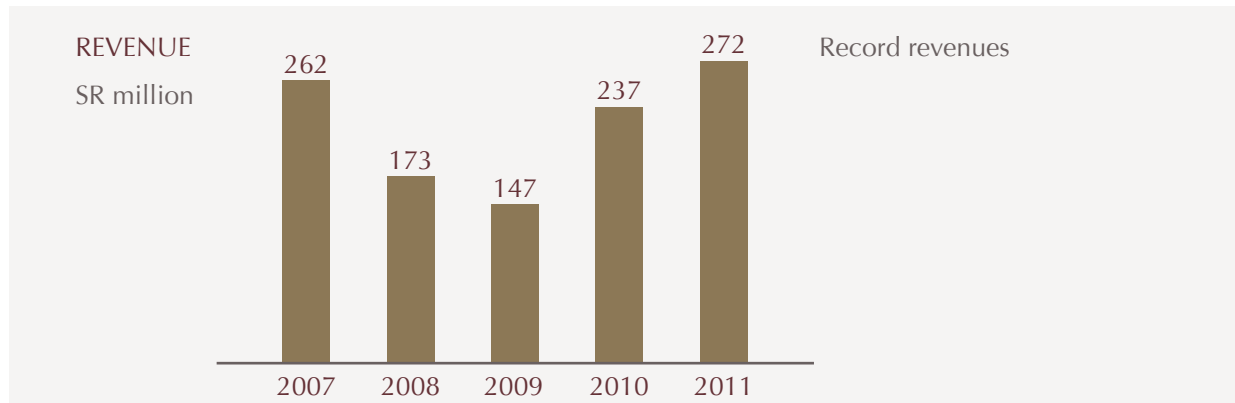
Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO

Performance & Company Overview



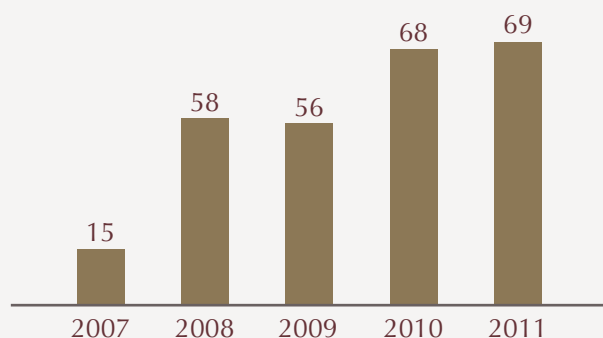
Madain Saleh, Al Medinah Province, Saudi Arabia.

Performance Overview



ANNUITY REVENUE

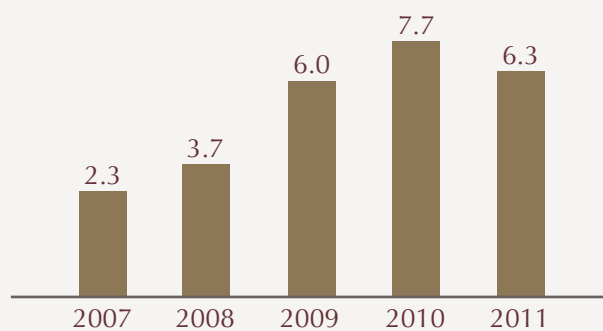
SR million



Continued focus on building high quality annuity revenue stream

ASSETS UNDER MANAGEMENT

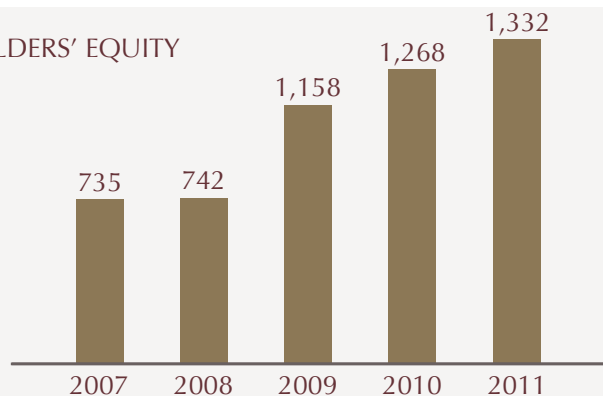
SR billion



Arab spring impact partially offset by strong fundraising in the second half

SHAREHOLDERS' EQUITY

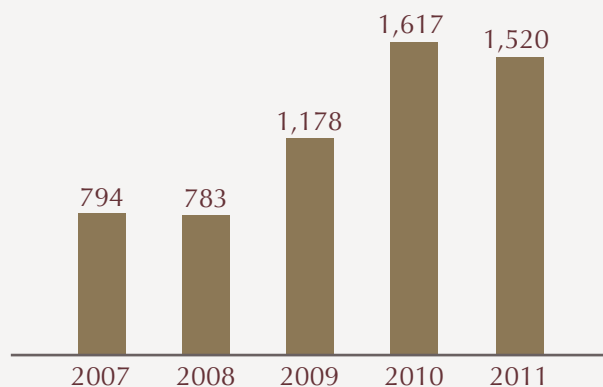
SR million



Shareholders' equity growth CAGR of 16% since 2007, including dividends

ASSETS

SR million



Asset growth CAGR of 18% since 2007



Recognition

We strive to build a distinctive track record over time, positioning us to be the go-to-advisor, asset manager and partner from the Kingdom and beyond.

Company Overview

Asset management

Asset Management thrived in a tough year for the industry in Saudi Arabia. Our annuity revenues were in line with 2010 levels, and we attracted a number of new high-quality institutional clients. We focused on devising strategies for our discretionary portfolio management clients that were profitable in volatile market conditions. In addition, we structured and launched the Jadwa Building Materials Opportunity Fund to capitalize on the significant infrastructure spending in the Kingdom. As a result, assets under management ended the year at SR 6.3 billion, at a time when total assets managed by public mutual funds in the Kingdom posted a double-digit decline.

Our three flagship equity funds remained top quartile performers in their respective categories; with the Jadwa GCC Equity Fund and Jadwa Arab Markets Equity Fund the best performing funds in their classes in 2011. Since their inception in 2007, our Saudi, GCC and Arab Markets funds are among the top three in their respective categories. In response to the exceptional performance of our funds, our industry-leading service standards and customized product solutions, Jadwa was named the "Best Investment Manager" by Euromoney Islamic Finance, "Best Asset Manager in Saudi Arabia" by EMEA Finance, and "Asset Manager of the Year and Wealth Manager of the Year" by Global Investor.

Although the environment is likely to remain challenging, we expect another strong year in 2012. We will continue to focus on local and regional equities through our discretionary portfolio management business. We believe there is potential for growth in private equity and real estate and will continue to seek selective investment opportunities in these areas.

Investment banking

In 2011 Investment Banking capitalized on its position as a leading provider of corporate finance advisory, equity capital market and private equity services to become one of the most active advisors to publicly

listed companies. Our revenues reached an all-time high. Our ability to source and execute complex transactions efficiently has been essential in the implementation of Jadwa's merchant banking strategy. In 2011 we executed successfully our fourth merchant banking transaction, the acquisition of a significant minority stake in the Al Zamil Company for Industry, Trade and Transport, and engaged in several other merchant banking deals.

Investment Banking provided important post-acquisition management and advisory to our portfolio companies. We oversaw the successful implementation of a major expansion project that elevated Gulf Union Foods Company to one of the largest beverage producers in the GCC. We are also in the process of finalizing an acquisition for another portfolio company that will solidify its position as a market leader and further diversity its product offering.

Our outlook for 2012 is positive amid the strong economic performance of the Kingdom, signs of which are evident through an increasing volume of opportunities. We are currently engaged in various advisory roles with several publicly listed companies, including multiple local and cross border M&A transactions. In addition, we have been retained as the financial advisor on a number of IPOs in different sectors, including infrastructure contracting, food and beverages and industrial manufacturing.

Proprietary investment

Proprietary Investment had another record year in 2011. Revenues grew by more than 46 percent, exceeding SR163 million, versus SR110 million in 2010. With our realized gains, we achieved a return on equity of 12 percent on the investment portfolio. Despite financial market volatility in 2011, our diversified portfolio generated strong returns, particularly on private equity investments. Other sources of revenue included healthy dividends from both public and private investments. Our stock market portfolio outperformed its benchmark and the TASI,

Since we launched our first products in June 2007, a client who invested in every Jadwa product would have gained 57.69% through 2011

yielding a gain of 3 percent in a year when global and local stock markets were flat or negative. In 2011, we continued to seek attractively valued and low risk investments. Major achievements during the year included:

- Closing a private equity investment for Jadwa and co-investors to acquire a 49 percent stake in Al Zamil Company for Industry, Trade and Transport, a market leader in the production of building materials, which is well-positioned to benefit from growth in the construction industry. The company has a strong track record with more than 20 years of operation.
- Securing a profitable exit from a major investment with a capital appreciation exceeding 40 percent.
- Taking a conservative, risk-mitigation posture in the Saudi stock market following the regional unrest in early 2011, and then gradually rebuilding positions through the rest of the year by taking advantage of low priced and fundamentally sound companies. Our stock market portfolio outperformed the benchmark and TASI by 0.7 percent and 6 percent, respectively. We expect further benefits from the strong positioning of our stock market portfolio in 2012 and beyond.

We rebalanced our mutual fund investments to benefit from a gradually recovering global economy. We remain actively engaged with our investment partners. Luberef, our joint venture partnership with Saudi Aramco, continued to show outstanding performance resulting from Luberef's ability to optimize its product offerings and expand its markets. Our investment in Saudi Arabia's Samsung distributor, United Matbouli Group, saw significant growth in 2011, driven by increased consumer spending, excellent business plan execution, and exciting product introductions from Samsung. Our Gulf Union Foods Company investment successfully completed a major expansion which will help the company to grow its revenues and profitability. Our investments in UK real estate, in partnership with CIT of the UK, continued to perform well.

Brokerage

Brokerage had another solid year in 2011, adopting major cost optimization while upgrading our online

trading platform. We introduced functionality to allow clients to place their own conditional orders and we provide full access to GCC and other key Middle Eastern stock markets, in addition to Sukuk and commodities trading.

Private & Institutional Client Investments

In 2011 Jadwa restructured its Wealth Management Department, rebranding it as Private & Institutional Client Investments (PICI) to better reflect the objectives and activities of the department. The department reporting line was changed to report directly to the CEO, and is led by a senior executive. The main activities of PICI are to manage existing client relationships and introduce new clients to our award-winning products and services. During 2011 we opened an office in Jeddah to increase our presence and service levels for our clients.

Research

It was another strong year for the research department. In an environment of global economic uncertainty, unrest in parts of the region and important government initiatives in the Kingdom, we satisfied a high demand for research and commentary. Timely analysis of key developments and their implications for Saudi Arabia and Saudi investors was issued throughout the year.

We also produced a landmark report that examined the concerning trends and outlook for local oil production, consumption and government spending. In addition, we launched a new monthly report on inflation, an area that has become a focus for many investors within the Kingdom. In total, we produced in excess of 100 reports during 2011, several of which were on a fee basis for private clients. The department continued to enhance Jadwa's brand by retaining a high media profile, presenting at many external events and broadening the international distribution of our research.

Operating office

The office of the Chief Operating Officer continued to identify and capture cost and efficiency savings opportunities throughout the company. In addition, we developed an dashboard and monitoring system that provides real-time information from across the business



57.69%
returns to clients

lines. The Project Management Office continued its successful monitoring and reporting on business projects across Jadwa.

Investment operations

Investment operations provided another year of smooth and uninterrupted support to the asset management and brokerage departments. We handled all back office and administrative activities relating to 22 funds, 39 client DPMs, and 180 weekly valuations, and acted as the receiving agent for two IPOs.

Human resources

In 2011, we maintained our emphasis on training. Total training amounted to 1,158 hours, with nearly half of the workforce participating. In collaboration with the Compliance and AML Unit, we formulated and implemented the policies and procedures for the registration and cancellation of the registration of employees with the Capital Market Authority, which ensures this key task can be done in line with regulatory requirements.

Information technology

During 2011 internal capacity for solution development within the Information Technology department was strengthened, allowing us to enhance our role as a business enabler. We provided state-of-the-art solutions for internal and external users and completed several projects that enhanced internal cost optimization. Our main accomplishments were the development of an advanced dashboard and monitoring system for Jadwa management and a revamp of the website.

Administration

In 2011 Administration adopted more cost efficient approaches to provide high-quality services to all departments. We had an important role in delivering the new Jadwa office in Jeddah within the targeted timeframe. In collaboration with IT, we further enhanced the automation of administrative tasks, allowing faster processing, more accurate tracking, and moving us closer to our goal of a paperless department.

Corporate communications

Corporate communications continued to pursue activities to support Jadwa's strong brand during 2011,

while backing fully the communication needs of all departments. We were very active in the media, which contributed significantly to our positioning among the leading investment houses in the region. In addition, we organized many well-received client gatherings, identified and coordinated Jadwa's successful submissions to select industry awards and arranged and managed all meetings of the Board of Directors.

Shariah group

Throughout 2011 the Shariah group examined all Jadwa's activities to determine of their compliance with Shariah resolutions. The department reviewed a number of contracts, agreements, products and funds, and played an essential role in restructuring some to meet Shariah guidelines. We also issued a control report that details compliance status throughout Jadwa.

Legal

The Legal department continued to support all departments by providing professional legal advisory. During 2011 our primary activity was to ensure the successful execution of major Investment Banking and Asset Management projects.

Compliance & AML

In 2011 the Compliance and Anti-Money Laundering unit successfully coordinated financial crime training for all employees and developed a comprehensive Know Your Customer checklist to ensure that appropriate due diligence is carried out when acquiring new clients. We also implemented the new Corporate Governance Regulations issued by the Capital Markets Authority. No compliance violations or penalties were reported in 2011. Compliance is a key element of Jadwa's business philosophy and we are continuously working to achieve a compliance-aware environment.

Corporate secretary office

The office of the Corporate Secretary retained its focus on high standards of corporate governance to protect the interests of all shareholders. Over the course of 2011 we organized meetings of the Board of Directors, followed-up action items and drafted Board resolutions. Under our supervision, terms of reference and charters of Board and management committees were reviewed and approved. The Compliance

Our efforts paid dividends, with Jadwa winning 8 awards.



Committee and Tadawul Compliance Committees were re-organized and operational and departmental policies and procedures reviewed to meet new regulatory requirements.

Risk management

Risk management is an integral part of Jadwa's strategic and operational management. In 2011 the risk management department assisted in creating processes to address risks arising from activities of each department and helped design mitigation strategies for treatment of these risks. Our focus remained on adding maximum sustainable value to operations and transactions in order to increase the probability of success.

Finance

Finance department had another effective year in 2011. We secured all financing needs for Jadwa and contributed to the key transactions executed during the year. Annual financial closing was completed in record time and was again on par with publicly traded companies. The accounting and budgeting units achieved all of their key performance indicators in 2011 and ensured the timely delivery of high-quality and reliable financial reports.



Shariah Supervisory Board Annual Statement



Elephant rock in Al Ula village, Saudi Arabia.

Shariah Board:

Sheikh Dr. Abdullah Al Mutlaq (Chairman of the Committee)

Member of the Senior Ulema Board, former Chairman of the comparative Fiqh, Imam Mohammed Bin Saud Islamic University, a member of Shariah Board in a number of financial institutions in the Kingdom of Saudi Arabia.

Sheikh Dr. Mohammad Elgari (Member of the Committee)

Professor of Islamic Economics at King Abdulaziz University in Jeddah, expert of the Fiqh Academy of the Organization of Islamic Conference in Jeddah.

Sheikh Bader Al-Omar (Member of the Committee)

He is the head of Shariah group at Jadwa Investment, and is a Shariah board member for other Islamic financial institutions.

Sheikh Ahmad Al-Gaidy (Secretary of the Committee)

Shariah consultant at Jadwa Investment and the Head of Shariah Control, Research & Development in the Shariah Group.

Shariah Supervisory Board Annual Statement for the Year 2011

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

المجموعة الشرعية
Shariah Group

جدوى للاستثمار
Jadwa Investment



In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD

(Annual Shariah Statement for the Year 2011)

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

To Jadwa Investment Shareholders:

Assalamualaikum warahmatullahi wabarakatuh

After we have reviewed the Shariah internal audit reports for the year 2011, which states the company's commitment to Jadwa Shariah board resolutions, and after we have looked at the annual financial statements, the Shariah board is of the opinion that:

1. All contracts and agreements that Jadwa have entered into during the year 2011, and brought to our attention, were Shariah compliant.
2. Profits realized and losses charged to the investment account are consistent with the rules that the Shariah board had approved, and therefore are Shariah compliant.
3. Incidental Income received from prohibited sources was disposed of through distribution to charitable purposes.

The Shariah board expresses its gratitude to Jadwa management and staff for their commitment to applying Shariah guidelines and resolutions. We pray to Allah Almighty to grant them success.

Peace and blessings are due to prophet Muhammad, his household and companions.

Board Members

Dr. Abdullah Al Mutlaq

Chairman

Bader Abdulaziz Alomar

Member

Dr. Mohammad Elgari

Member

Ahmed Addulrahman Algaidy

Secretary

568,490,000279-1111 1 +966279-1571 1 +9666067711555

A Saudi Closed Joint Stock Company, licensed by the Capital Market Authority, Capital SAR 568,490,000 Fully Paid
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Corporate Governance



Al Ula desert near the oasis, Saudi Arabia.

Corporate Governance

Jadwa Investment has adopted Corporate Governance practices in line with international standards, and in harmony with the issued related rules and regulations from the authorities in the Kingdom of Saudi Arabia. Jadwa has fulfilled and complied with the requirements in relation to the establishment of the Board's committees, independence of the Board of Directors and the implementation of the Corporate Governance infrastructure.

The table below outlines Jadwa's compliance with the Corporate Governance requirements:

	Articles	Elaboration	Non-committed	Semi-committed	Committed
1	Reformation of the Board of Directors to include independent members				✓
2	Issuance of the annual report to include:				
2.1	Description of key activities, planning and important decisions such as re-structure, expansion or suspension of operations.				✓
2.2	Financial results and comments of the auditor, if any.				✓
2.3	Names of companies which the Board Member is a member of the Board of Directors, formation of the Board of Directors and its classification.				✓
2.4	A brief description of the jurisdictions of the key Board Committees and its functions, names of the Chairperson, members and the number of meetings.				✓
2.5	Any penalty, sanction or reserve restriction imposed by the CMA or any other supervisory, judicial or regulatory authority.				✓
2.6	The result of annual audit for the activation of the internal control procedures of the company.				✓
3	Submission of a copy of Board of Directors Annual Report to CMA.				✓
4	Establishment of governance structure to include:				
4.1	Define the procedures and restrictions of the Board of Directors membership and its responsibilities and functions.				✓
4.2	Define the authorities of the Board of Directors and the executive management.				✓
4.3	Development of the code of conduct.				✓
4.4	Form the supervisory committees.				✓

Board of Directors' membership in other companies

	Name	Members' Qualifications	Membership in other companies
1	HRH Prince Faisal Bin Salman Bin Abdulaziz Al Saud Chairman of the Board of Directors	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Saudi Research & Marketing Group Chairman of the Board of Directors • Saudi Printing and Packaging Co. Chairman of the Board of Directors
2	Tan Sri Dato' Azman Mokhtar Member	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Iskandar Investment Berhad, Malaysia Chairman of the Board of Directors • Axiata Group Berhad, Malaysia Chairman of the Board of Directors • Iskandar Regional Development Authority, Malaysia Board Member • Yayasan Khazanah, Malaysia Board Member
3	Mr. Adib Al-Zamil Member	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Zamil Group Holding Company Board Member • Zamil Industrial and Investment Company Board Member • Bank Al Bilad Board Member • Saudi Formaldehyde Chemicals Co. Ltd (Chemanol) Board Member
4	Mr. Iqbal Khan Member	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital, Board Member & CEO • Bank Islam Brunei Darussalam Board Member
5	Mr. Abdulrahman Al-Rowaita Member	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Aseer Company Managing Director & Board Member • Saudi Research & Marketing Group Board Member • King Abdullah Economic City (EMAAR) Board Member • Halwani Brothers Chairman of the Board of Directors • Al Khozama Management Company Board Member
6	Mr. Abdulaziz Al-Subeaei Member	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Gulf Farabi Petrochemical Co. Limited Board Member • Fajr Capital, Board Member • Mohammed Alsubeaei & Sons Investment Company Board Member
7	Mr. Michael Powell Member	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Thematic Networks, UK Chairman of the Board of Directors • Thematic Capital Partners LLP, UK Chairman of the Board of Directors • PCE Investors, Board Member • Fajr Capital, Board Member • Exogenesis Corporation, USA, Board Member
8	Mr. Ahmed Al-Khateeb Managing Director & CEO	<ul style="list-style-type: none"> • Non-Independent • Executive 	<ul style="list-style-type: none"> • Saudi Aramco Lubricating Oil Refining Company Board Member • Riyadh Chamber of Commerce and Industry Board Member • Tadawul Company, Board Member

Board of Directors Remuneration for 2011

	Name	Annual Remuneration	Allowances	Total
1	HRH Prince Faisal Bin Salman Bin Abdulaziz Al Saud	200,000	10,500	210,500
2	Tan Sri Dato' Azman Mokhtar	200,000	18,500	218,500
3	Mr. Adib Al-Zamil	200,000	18,500	218,500
4	Mr. Iqbal Khan	200,000	18,500	218,500
5	Mr. Abdulrahman Al-Rowaita	200,000	10,500	210,500
6	Mr. Abdulaziz Al-Subeaei	200,000	8,000	208,000
7	Mr. Michael Powell	200,000	18,500	218,500
8	Mr. Ahmed Al-Khateeb	-	18,500	18,500
	Total	1,400,000	121,500	1,521,500

Board of Directors' Committees

Executive Committee			Members' Qualifications
1	Mr. Iqbal Khan	Chairman	Independent board member, non-executive
2	Mr. Adib Al-Zamil	Member	Non-independent board member, non-executive
3	Mr. Abdulaziz Al-Subeaei	Member	Non-independent board member, non-executive
4	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
5	Mr. Ahmad Farouk	Member	Independent external member, non-executive
6	Mr. Mohammed Razi Mohiuddin	Secretary	Executive

The Executive Committee oversees the financial and operational performance of the company and is chaired by an independent member of the Board of Directors. The members of the Executive Committee report directly to the Board of Directors. It keeps under review the adequacy of reporting arrangements and effectiveness of internal control & risk management. It has conducted three meetings in 2011.

Audit & Risk Committee			Members' Qualifications
1	Mr. Abdulrahman Al-Rowaita	Chairman	Non-independent board member, non-executive
2	Mr. Nasser Al-Qahtani	Member	Independent external member, non-executive
3	Dr. Saud Al-Nemer	Member	Independent external member, non-executive
4	Mr. Rami Al-Shedi	Secretary	Executive

The Audit & Risk Committee reviews the company's financial reporting processes to ensure accuracy and sufficient disclosure. It is chaired by non executive member of the Board of Directors. It ensures that the company has suitable, efficient internal control system and internal audit by making a review jointly with the external and internal auditors. It has conducted four meetings in 2011.

Human Resources Committee			Members' Qualifications
1	Ms. Ann Almeida	Chairperson	Independent external member, non-executive
2	Mr. Abdulaziz Al-Subeaei	Member	Non-independent board member, non-executive
3	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
4	Mr. Bander bin Mogren	Secretary	Executive

The Human Resources Committee develops the strategies and policies related to staff recruitment, reward, retention, motivation and career development. It is chaired by an HR professional. It helps identify areas of improvement in human resources policies on employment, benefits and compensation. It has conducted two meetings in 2011.

Investment Committee			Members' Qualifications
1	Mr. Michael Powell	Chairman	Independent board member, non-executive
2	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
3	Mr. Brad Bourland	Member	Executive
4	Mr. Tharwat Amer	Member	Executive
5	Mr. Haitham Al-Fayez	Secretary	Executive

The Investment Committee was formed to ensure that the investment of Jadwa's capital is conducted in accordance with the Proprietary Investment Program and to monitor the overall investment performance, and recommend changes as appropriate. It is chaired by non-executive member of the Board of Directors. It has conducted six meetings in the year 2011.

Compliance Committee			Members' Qualifications
1	Mr. Abdulaziz Al-Subeaei	Chairman	Non-independent board member, non-executive
2	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
3	Mr. Nasser Al-Hamdan	Member	Executive
4	Mr. Rami Al-Shedi	Member	Executive
5	Mr. Khalid Mahmood	Member	Executive
6	Mr. Ali Al-Segayh	Member	Executive
7	Mr. Naif Abuhaimeed	Secretary	Executive

The Compliance Committee was formed to minimize legal or regulatory risks and to demonstrate the company's commitment to follow all laws and regulations, and to maintain the highest ethical standards. It is chaired by a non-executive member of the Board of Directors. Policy statements and guidance were issued with respect to legal and ethical requirements related to business activities. It has conducted one meeting during 2011.

Result of the Annual Audit for the effectiveness of the Internal Control Procedures of the Company

Jadwa Investment's Internal Audit is a confirming, consulting and independent function. The Internal Audit is responsible for evaluating the adequacy and effectiveness of the Company's Internal Controls including Risk Management and Corporate Governance Processes. Evaluations and testing includes financial controls, operational controls and compliance & regulatory controls.

During 2011 Internal Audit adopted a risk-based approach where the results of the Enterprise Risk Assessment were utilized to assess the effectiveness and deployment of the key controls within 11 out of 14 departments. Internal Audit management is pleased with the cooperation received throughout the audit exercises, as most findings were closed soon after the audit was completed. This reflects the management's willingness to improve processes to the most efficient and optimum levels.

During 2011 the Internal Audit department was assisted by Grant Thornton (Aldar Audit Bureau). The Internal Audit department's main role is planning and following-up of all internal audit activities and ensuring the effectiveness of the company's internal controls through the on-going periodic audit it performs. The Internal Audit manager submits quarterly reports to the Audit and Risk committee and CEO on progress and observations related to the internal audit activities.



Financial Statements and Independent Auditor's Report

Hisma valley, Saudi Arabia



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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, 2011, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 26 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 auditing standards generally accepted in the Kingdom of Saudi Arabia. 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, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and comply with the relevant provisions of the Regulations for Companies and the bylaws of the Company as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdom
License No. 358
Rabi Al Awwal 7, 1433 H
January 30, 2012



Audit, Tax, Consulting, Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Balance Sheet as at December 31st, 2011

	Notes	2011 SR	2010 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	14,488,945	95,530,521
Accounts receivable, net	4	42,397,588	44,603,710
Due from a related party	9	9,375,000	5,625,000
Held for trading investments	5	140,000,000	291,341,084
Prepaid expenses and other assets	6	5,827,242	7,129,987
Total current assets		212,088,775	444,230,302
Non-current assets			
Available for sale investments	7	1,121,871,306	987,449,899
Property and equipment, net	8	4,685,266	6,205,677
Investment in an associate	10	180,968,950	179,564,621
Total non-current assets		1,307,525,522	1,173,220,197
TOTAL ASSETS		1,519,614,297	1,617,450,499
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loan	12	129,997,400	299,994,267
Accrued expenses and other liabilities	14	45,140,031	38,750,613
Zakat and income tax provision	11	5,549,559	3,934,828
Total current liabilities		180,686,990	342,679,708
Non-current liabilities			
End-of-service indemnities		7,341,510	5,840,552
Shareholders' equity			
Share capital	1, 13	568,490,000	568,490,000
Statutory reserve	13, 15	290,967,929	290,967,929
Change in fair value of available for sale of investments	7, 10	173,492,853	179,803,890
Retained earnings		298,635,015	229,668,420
Total shareholders' equity		1,331,585,797	1,268,930,239
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,519,614,297	1,617,450,499

Statement of Income for the year ended December 31st, 2011

	Notes	2011 SR	2010 SR
Revenues			
Asset management		62,277,012	95,888,851
Corporate finance		43,190,220	25,299,431
Brokerage		4,314,138	4,310,924
Proprietary investment	16	162,042,380	110,174,424
Other revenues		653,773	942,500
Total revenues		272,477,523	236,616,130
Expenses			
Salaries and other benefits		(88,986,555)	(87,519,774)
Depreciation	8	(2,102,726)	(10,314,541)
Rent expenses		(3,386,635)	(3,502,837)
Commission on short-term loan		(7,574,930)	(784,984)
Impairment on investments	7	(8,282,470)	-
Other general and administrative expenses	17	(30,788,053)	(24,255,271)
Total expenses		(141,121,369)	(126,377,407)
Income from operations		131,356,154	110,238,723
Other income	18	9,000	-
NET INCOME		131,365,154	110,238,723
Earnings per share	19		
Income from operations		2.3106	1.9391
Net income		2.3108	1.9391

Statement of Cash Flows for the year ended December 31st, 2011

	2011 SR	2010 SR
OPERATING ACTIVITIES		
Net income	131,365,154	110,238,723
Adjustments for:		
Share in net income of an associate	(1,404,329)	(3,888,674)
Depreciation	2,102,726	10,314,541
End-of-service indemnities	1,758,383	1,737,567
Provision for doubtful debts	1,601,311	2,137,500
Realized gains on sale of available for sale investments	(126,441,786)	(47,726,279)
Unrealized gains on held for trading investments	(6,206,382)	(19,170,995)
Realized losses / (gains) on sale of held for trading investments	4,992,858	(4,944,072)
Gain from sale of property and equipment	(9,000)	-
Impairment on investments	8,282,470	-
Changes in operating assets and liabilities:		
Accounts receivable	604,811	9,300,401
Due from a related party	(3,750,000)	(2,812,500)
Prepaid expenses and other assets	1,302,745	(1,809,612)
Accrued expenses and other liabilities	3,389,418	24,321,106
End-of-service indemnities paid	(257,425)	(364,788)
Zakat and income tax paid	(3,934,828)	(1,282,337)
Net cash from operating activities	13,396,126	76,050,581
INVESTING ACTIVITIES		
Purchase of property and equipment	(582,315)	(42,196)
Proceeds from sale of property and equipment	9,000	-
Additions to available for sale investments	(218,890,810)	(548,124,067)
Proceeds from sale of available for sale investments	493,804,644	367,999,273
Additions to held for trading investments	(144,932,354)	(79,503,135)
Net cash from / (used in) investing activities	129,408,165	(259,670,125)
FINANCING ACTIVITIES		
Short-term loan	(169,996,867)	299,994,267
Dividends paid	(53,849,000)	(28,424,500)
Net cash (used in) / from financing activities	(223,845,867)	271,569,767
Net change in cash and cash equivalents	(81,041,576)	87,950,223
Cash and cash equivalents, beginning of the year	95,530,521	7,580,298
Cash and cash equivalents, end of year	14,488,945	95,530,521
Non-cash items:		
Change in fair value of investments	(14,593,507)	32,819,431

Statement of changes in Shareholders' Equity for the year ended December 31st, 2011

	Share capital SR	Statutory reserve SR	Change in fair value of available for sale investments SR	Retained earnings SR	Total SR
January 1, 2010	568,490,000	290,967,929	146,984,459	151,635,978	1,158,078,366
Change in fair value of available for sale investments	-	-	32,819,431	-	32,819,431
Net income	-	-	-	110,238,723	110,238,723
Dividends	-	-	-	(28,424,500)	(28,424,500)
Zakat and income tax provision (Note 11)	-	-	-	(3,781,781)	(3,781,781)
December 31, 2010	568,490,000	290,967,929	179,803,890	229,668,420	1,268,930,239
Change in fair value of available for sale investments	-	-	(14,593,507)	-	(14,593,507)
Impairment on investments recognized in the statement of income (Note 7)	-	-	8,282,470	-	8,282,470
Net income	-	-	-	131,365,154	131,365,154
Dividends	-	-	-	(56,849,000)	(56,849,000)
Zakat and income tax provision (Note 11)	-	-	-	(5,549,559)	(5,549,559)
December 31, 2011	568,490,000	290,967,929	173,492,853	298,635,015	1,331,585,797

Notes to the Financial Statements for the year ended December 31st, 2011

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 share capital of the Company, amounting to SR 568,490,000, is divided into 56,849,000 shares of SR 10 each.

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 accounting standards generally accepted in the Kingdom of Saudi Arabia 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 investments, 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 investments

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

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting standards requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results might differ from those estimates.

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 an 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 31st, 2011 (continued)

Impairment of long lived assets

Assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

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.

Fees charged for managing assets (including mutual funds) are recognized as revenue as the services are provided. Subscription fees are recognized upon subscription of the investor to the Fund. Fund performance income is recognized at the year end, if the fund results meet the annual preset target.

Advisory service fees are accrued on a time proportionate basis, as the services are rendered.

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:

	2011 SR	2010 SR
Bank current accounts	14,488,945	530,521
Murabaha contracts	-	95,000,000
	14,488,945	95,530,521

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 0.10% per annum (December 31, 2010: 0.21% per annum).

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

4. ACCOUNTS RECEIVABLE, NET

The accounts receivable as at December 31, consist of the following:

	2011 SR	2010 SR
Accounts receivable	46,136,399	46,741,210
Provision for doubtful receivables	(3,738,811)	(2,137,500)
	42,397,588	44,603,710

5. HELD FOR TRADING INVESTMENTS

The held for trading investments as at December 31st, consist of the following:

	2011 SR	2010 SR
Discretionary Portfolio Management Fund (5.1)	-	218,021,764
Trading Shares Portfolio (5.1)	-	73,319,320
Open-ended funds	140,000,000	-
	140,000,000	291,341,084

- 5.1 During the year, Management decided to change the classification of "Held for trading investments" to "Available for sale investments" and to keep these investments for strategic purposes. The effective date of reclassification is July 10, 2011. The unrealized gains on held for trading investments from the beginning of the financial year till the effective date of reclassification is included in the statement of income amounting to SR 6,206,382 (Note 16).

Notes to the Financial Statements for the year ended December 31st, 2011 (continued)

6. PREPAID EXPENSES AND OTHER ASSETS

	2011 SR	2010 SR
Loans to employees	2,310,000	2,430,000
Prepaid consulting services	-	1,687,860
Prepaid rent	1,106,320	1,068,318
Advances to employees	756,844	987,875
Prepaid insurance	701,757	-
Prepaid software maintenance	691,259	651,896
Others	261,062	304,038
	5,827,242	7,129,987

7. AVAILABLE FOR SALE INVESTMENTS

The cost and fair value of available for sale investments as at December 31, are as follows

	Initial cost SR	Change in fair value SR	Impairment recognized in the statement of income SR	Fair value 2011 SR	Fair value 2010 SR
Open-ended funds	134,508,476	(2,226,185)	(8,282,470)	123,999,821	425,845,728
Closed-ended funds	504,737,637	22,446,339	-	527,183,976	323,216,500
Equity shares	474,727,039	(4,039,530)	-	470,687,509	238,387,671
	1,113,973,152	16,180,624	(8,282,470)	1,121,871,306	987,449,899

The change in fair value of available for sale investments amounting to SR 16,180,624 is included in Shareholders' equity as at December 31, 2011 (December 31, 2010: (SR 22,491,661)).

As disclosed in Note 5.1, the fair value of "Held for trading investments" reclassified under "Available for sale investment" on the effective date of reclassification, is the considered as the cost of these investments.

8. PROPERTY AND EQUIPMENT, NET

	Computer hardware SR	Computer software SR	Furniture & fixtures SR	Office equipment SR	Motor vehicles SR	Leasehold improvements SR	Capital work in progress SR	Total SR
Cost								
January 1 st , 2011	15,878,871	12,613,090	4,555,383	4,586,616	126,470	7,382,440	-	45,142,870
Additions	71,491	-	12,500	8,600	-	-	489,724	582,315
Disposal	-	-	-	-	(47,500)	-	-	(47,500)
December 31 st , 2011	15,950,362	12,613,090	4,567,883	4,595,216	78,970	7,382,440	489,724	45,677,685
Accumulated depreciation								
January 1 st , 2011	14,974,635	11,510,170	4,424,588	4,380,037	101,792	3,545,971	-	38,937,193
Charges for the year	194,492	396,794	70,718	152,182	19,743	1,268,797	-	2,102,726
Disposal	-	-	-	-	(47,500)	-	-	(47,500)
December 31 st , 2011	15,169,127	11,906,964	4,495,306	4,532,219	74,035	4,814,768	-	40,992,419
Net book value								
December 31 st , 2011	781,235	706,126	72,577	62,997	4,935	2,567,672	489,724	4,685,266
December 31 st , 2010	904,236	1,102,920	130,795	206,579	24,678	3,836,469	-	6,205,677

9. RELATED PARTY TRANSACTIONS

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

	2011 SR	2010 SR
Corporate finance income from partners in an associate and related parties	3,750,000	4,162,500
Brokerage income from shareholders	193,476	986,158
Board of Directors' related expenses (Note 17)	1,539,500	308,489
Assets management fees from the mutual funds	23,956,508	25,139,707

	2011 SR	2010 SR
Accounts receivable from a related party	9,375,000	5,625,000

Notes to the Financial Statements for the year ended December 31st, 2011 (continued)

10. INVESTMENT IN AN ASSOCIATE

The movement in investment in an associate for the year is as follows:

	2011 SR	2010 SR
Beginning balance	179,564,621	175,675,947
Share in net income (Note 16)	1,404,329	3,888,674
Closing balance	180,968,950	179,564,621

The change in fair value of investments picked up by the Company as a result of the application of the equity method of accounting since inception amounting to SR 157,312,229, as at December 31, 2011 is included under shareholders' equity (December 31, 2010: SR 157,312,229).

11. ZAKAT AND INCOME TAX

The principal elements of the Zakat base are as follows:

	2011 SR	2010 SR
Share capital	842,450,000	842,450,000
Statutory reserve	17,007,929	17,007,929
Retained earnings	175,819,420	123,211,478
Investments	(1,136,225,544)	(983,321,956)
Property and equipment	(29,297,706)	(33,581,253)
Provisions	9,003,052	5,492,773
Adjusted net income	130,577,851	91,236,217
Zakat base	9,335,002	62,495,188

Zakat

	2011 SR	2010 SR
Portion of the Saudi shareholders' adjusted net income/zakat base (2011: 90%, 2010: 90%)	117,520,066	81,785,229
Zakat for the year (2.5%)	2,938,002	2,044,631

Income Tax

	2011 SR	2010 SR
Portion of adjusted net income for non-Saudi shareholders (2011: 10%, 2010: 10%)	13,057,785	9,450,988
Income tax for the year (20%)	2,611,557	1,890,197

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

	2011 SR	2010 SR
Beginning of year	3,934,828	1,435,384
(Excess) under provision of previous year	-	(153,047)
Provision for the year	5,549,559	3,934,828
Payment during the year	(3,934,828)	(1,282,337)
Total Zakat and income tax	5,549,559	3,934,828

The Company submitted its zakat and income tax returns for the years ended December 31, 2007, 2008, 2009 and 2010. The DZIT has recently raised an assessment for the period ended December 31, 2007 against which the company has filed an appeal. The zakat and income tax returns for the years 2008, 2009 and 2010 are still under review by DZIT.

12. SHORT-TERM LOAN

During year 2011, the Company obtained a bank facility in the form of Islamic Murabaha from a local bank amounting to SR 129,997,400 (2010: SR 299,994,267) to finance the Company's working capital. This facility is secured by a promissory note and matures on November 30, 2012 and subject to a commission rate of 3.77% per annum (2010 : 3.85% per annum).

13. SHARE CAPITAL

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, included in statutory reserve.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011 SR	2010 SR
Accrued employees salaries and related benefits	41,161,614	36,998,713
Accrued commission	340,347	769,985
Accounts payable	-	381,087
Suppliers of fixed assets	138,070	100,828
Dividend payable	3,000,000	-
Provisions and other liabilities	500,000	500,000
	45,140,031	38,750,613

15. 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.

Notes to the Financial Statements for the year ended December 31st, 2011 (continued)

16. REVENUES FROM PROPRIETARY INVESTMENT

	2011 SR	2010 SR
Realized gains on sale of available for sale investments - net	126,441,786	47,726,279
Dividend income	31,877,552	24,961,469
Unrealized gains on held for trading investments – net (Note 5)	6,206,382	19,170,995
Underwriting fees	1,083,056	9,430,000
Realized (losses) / gains on held for trading investments	(4,992,858)	4,944,072
Share in net income of an associate (Note 10)	1,404,329	3,888,674
Commission income	22,133	52,935
	162,042,380	110,174,424

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR	2010 SR
Professional and consulting fees	9,093,851	6,061,303
Maintenance	3,443,813	3,174,190
Subscription fees	3,090,300	2,626,473
Traveling expenses	2,977,040	2,552,909
Contractual labor	1,845,595	1,300,465
Advertisement	1,640,089	815,410
Provision for doubtful debts	1,601,311	2,137,500
Board of Directors' related expenses (Note 9)	1,539,500	308,489
Telecommunication	1,532,746	1,992,871
Printing	450,300	392,570
Utilities	419,535	392,826
Withholding taxes	319,020	381,799
Conference expenses	314,304	308,089
Insurance	242,813	390,000
Security expenses	156,000	82,700
Others	2,121,836	1,337,677
	30,788,053	24,255,271

18. OTHER INCOME

	2011 SR	2010 SR
Gain on sale of property and equipment	9,000	-

19. 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, 2011 and 2010 and amounting to 56.849 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, 2011 and 2010 and amounting to 56.849 million shares.

20. SEGMENT INFORMATION

The Company operates solely in the Kingdom of Saudi Arabia. For management purposes, the Company is organized into business units based on services provided and has the following reportable segments:

Investment banking services

Investment banking provides corporate finance advisory, private placements, public offerings of equity and debt securities, trade sales, mergers, acquisition, divestitures, spin-offs, syndications and structured products.

Brokerage

Brokerage operates under the brand of Jadwa Investment and acts as principal and agent, providing custody and clearing services to clients, providing access to regional exchanges.

Asset management services

Jadwa Investment asset management offers investors gateways into the GCC and Arab stock markets, and conventional equity and Shariah compliant investment funds using both active and passive management styles. In addition, offers Saudi Total Return Swaps (TRS), which provide international investors with access to the Saudi stock market.

Corporate

Corporate manages future corporate development and controls all treasury related functions. All proprietary investments are incubated within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relation management.

Management monitors the operating results of the operating segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss.

Year ended December 31 st , 2011	Investment banking services SR	Brokerage SR	Asset management services SR	Corporate SR	Total SR
Revenue	43,190,220	4,314,138	62,277,012	162,696,153	272,477,523
Expenses	(22,647,031)	(7,061,536)	(29,712,735)	(81,700,067)	(141,121,369)
Income (loss) from operations	20,543,189	(2,747,398)	32,564,277	80,996,086	131,356,154
Total assets	15,039,618	-	16,748,207	1,487,826,472	1,519,614,297
Total liabilities	8,701,227	346,830	9,068,302	169,912,141	188,028,500
Year ended December 31 st , 2010					
Revenue	25,299,431	4,310,924	95,888,851	111,116,924	236,616,130
Expenses	(20,163,723)	(8,517,784)	(36,083,415)	(61,612,485)	(126,377,407)
Income (loss) from operations	5,135,708	(4,206,860)	59,805,436	49,504,439	110,238,723
Total assets	35,131,424	-	15,097,286	1,567,221,789	1,617,450,499
Total liabilities	7,668,641	774,588	14,825,927	325,251,104	348,520,260

Notes to the Financial Statements for the year ended December 31st, 2011 (continued)

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2011, 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 259.5 million (2010: SR 270 million).

22. CLIENTS' CASH ACCOUNTS

At December 31, 2011, the Company was holding clients' cash accounts amounting to SR 196.87 million (2010: SR 145.67 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.

23. 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, held for trading investments, available for sale investments, investment in an associate and other assets and its financial liabilities consist of short-term loan, zakat and income tax provision and other liabilities. The fair values of financial instruments are not materially different from their carrying values.

24. ASSETS UNDER MANAGEMENT

These represent the mutual funds' assets related to the funds unit holders managed by the Company, which amount to SR 6.3 billion as at December 31, 2011 (2010: SR 7.7 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements.

25. 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 and accounts receivables.

With respect to credit risk arising from other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	Gross maximum exposure 2011 SR	Gross maximum exposure 2010 SR
Cash and cash equivalents (including Murabaha contracts)	14,488,945	95,530,521
Accounts receivables	42,397,588	44,603,710
	56,886,533	140,134,231

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 and short-term loan.

The following table demonstrates the sensitivity of the income to reasonably possible changes in special commission rates, with all other variables held constant. The sensitivity of the income is the effect of the assumed changes in

special commission rates on the company's income for one year, based on the floating rate financial assets held as at the year end. There is no impact on the Company's equity.

	2011 SR	2010 SR
Increase/decrease in basis points +/- 25 bps	490,264	49,999

Liquidity risk

The company collates the projected cash flow and liquidity profiles of its financial assets and liability. It maintains a portfolio of short-term liquid assets to cover requirements, largely consisting of certain liquid placement with financial institutions.

The three primary measures of liquidity, the company uses are stock of liquid assets, surplus cash capital and net funding requirement. Liquid assets include cash and cash equivalents, including marketable securities.

All liabilities other than end of service benefits are contractually payable on a current basis. The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled:

	Less than 12 months SR	More than 12 months SR	2011 SR	Less than 12 months SR	More than 12 months SR	2010 SR
Cash and cash equivalents	14,488,945	-	14,488,945	95,530,521	-	95,530,521
Accounts receivable, net	42,397,588	-	42,397,588	44,603,710	-	44,603,710
Due from a related party	9,375,000	-	9,375,000	5,625,000	-	5,625,000
Held for trading investments	140,000,000	-	140,000,000	291,341,084	-	291,341,084
Prepaid expenses and other assets	5,827,242	-	5,827,242	7,129,987	-	7,129,987
Available for sale investments	-	1,121,871,306	1,121,871,306	-	987,449,899	987,449,899
Property and equipments, net	-	4,685,266	4,685,266	-	6,205,677	6,205,677
Investment in associate	-	180,968,950	180,968,950	-	179,564,621	179,564,621
Total assets	212,088,775	1,307,525,522	1,519,614,297	444,230,302	1,173,220,197	1,617,450,499
Short-term loan	129,997,400	-	129,997,400	299,994,267	-	299,994,267
Accrued expenses and other liabilities	45,140,031	-	45,140,031	38,750,613	-	38,750,613
Zakat and income tax provision	5,549,559	-	5,549,559	3,934,828	-	3,934,828
End-of-service indemnities	-	7,341,510	7,341,510	-	5,840,552	5,840,552
Total liabilities	180,686,990	7,341,510	188,028,500	342,679,708	5,840,552	348,520,260
Net	31,401,785	1,300,184,012	1,331,585,797	101,550,594	1,167,379,645	1,268,930,239

Notes to the Financial Statements for the year ended December 31st, 2011 (continued)

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Company's investments are susceptible to market price risk arising from uncertainties about future prices. The Company manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

26. COMPARATIVE FIGURES

Certain figures for 2010 have been reclassified to conform with the presentation in the current year.

