

2012

Annual Report



جدوى للإستثمار
Jadwa Investment

سَمِعْنَا وَأَطَعْنَا
إِنَّ الْكَلِمَةَ
لِرَبِّكَ



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



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

Contents

Board of Directors

Chairman's Statement

Message from the CEO

Performance & Company Overview

Shariah Supervisory Board Annual Statement

Corporate Governance

Financial Statements and Independent Auditor's Report

Independent auditor's report

Balance sheet

Statement of income

Statement of cash flows

Statement of changes in shareholders' equity

Notes 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
Phone +966 1 279-1111 Fax +966 1 279-1571
P.O. Box 60677, Riyadh 11555, Saudi Arabia

www.jadwa.com

Board of Directors



Adib Bin Abdullah Alzamil
Member



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



Tan Sri Dato' Azman Mokhtar
Member



Howard Marks
Member



Iqbal Ahmad Khan
Member



Michael Powell
Member



Abdulrahman Bin Ibrahim
Al-Ruwaita
Member



Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO



Abdulaziz Bin Mohammed
Al-Subeai
Member

Chairman's Statement

Dear shareholders,

I am delighted to share with you the results of another record year for Jadwa Investment and the accomplishment of six profitable years in business. We continue to establish a market-leading track record for deal execution, fund performance and profitability, delivered during continuously challenging market conditions. I look forward with excitement to seeing Jadwa build on this strong momentum in 2013 and beyond.

We continue to live in interesting times. The global economy faced many challenges in 2012, as evidenced by low growth, solvency concerns in periphery EU countries, and uncertainty on resolution of the fiscal cliff in the US. These were exacerbated by social unrest and weak employment prospects triggered by the austerity measures taken by many governments to shore up weak balance sheets. Emerging markets experienced stronger growth, but also had to deal with volatile commodity markets, rising asset prices due to the expansionary monetary policy of the US Federal Reserve and other Central Banks in the developed world, and a growing sense of worry around unemployment.

For Saudi Arabia, 2012 was another year of very strong economic performance. The non-oil sector maintained its elevated growth in the past three years, while large budget and current account surpluses were recorded and inflation was contained. Businesses and consumers benefitted from generous government spending while government debt was reduced further. Far-sighted policy decisions were taken that should tackle some long-standing challenges such as unemployment, and further measures were enacted to improve the business environment.

Despite the strong real economy, 2012 was another challenging year for investment companies in the Kingdom. The number of active investment banks continues to shrink, as revenue pools are small due to limited transactions, while price-based competition continues to squeeze margins further.

Against this backdrop, I am pleased to report strong performance at Jadwa Investment. We introduced several compelling new investment opportunities for our clients, saw strong performance across all of our products and delivered another year of record revenues and profits. Transactions were executed that will help our clients participate in the fast growing real economy, including the purchase of stakes in Abdulmohsen Al-Hokair Group for Tourism and Development Company, a hotel operator and family entertainment provider, and Al-Hammadi Company for Development and Investment, a hospital operator.

Our Investment Banking and Private Equity teams delivered post-acquisition services to six portfolio companies, and advised on several M&A and advisory mandates. The mutual funds managed by our Asset Management team maintained their stellar performance, with our Saudi and GCC funds the best performers amongst peers. Proprietary Investments posted strong revenues despite volatility in global stock markets. Our Research team continues to issue well-received reports.

Financial performance reached record highs in 2012. Net income was SR 144 million, up by 10 percent over 2011, which was previously our record year. Total revenues hit SR 285 million, with a healthy balance across the three main revenue lines of Asset Management, Investment Banking and Proprietary Investments. In recognition of our outstanding results, the Board of Directors has recommended distribution of a dividend of SR 1.5 per share equal to 15 percent of the par value per share. After six profitable years we have raised shareholder's equity from our initial level of SR 500 million to SR 1.38 billion, equivalent to SR 24.32 per share. I am truly proud that since Jadwa opened for business in 2007, on the eve of the greatest financial crisis in modern times, Jadwa has added SR 882 million to retained earnings and paid of SR 255 million in dividends.

As always, I thank you for your continued support to Jadwa,



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 third year in a row, Jadwa has achieved triple-digit net profits. We delivered 2012 revenues of SR 285 million, and profits of SR 144 million. Since we launched in 2007, Jadwa has delivered combined profits of more than SR 555 million, at a time when industry revenue pools have contracted.

Five years after the global credit crisis, the global economy still faces a great deal of uncertainty. Economic stresses in Europe, Japan and the United States impacted emerging markets through weaker demand for exports and volatility in capital flows and commodity prices. Growth of the world economy weakened considerably last year and is expected to remain subdued in the coming two years.

In Saudi Arabia, the real economy continues to perform strongly. General macroeconomic indicators showed that the hydrocarbon sector, government spending, domestic consumption demand and a supportive banking sector remained the main drivers of economic growth in 2012. While a near record high oil production pushed the oil sector to expand by 5.5%, strong domestic fundamentals and an improved business environment maintained elevated private sector growth at 7.5%.

A recurring theme over the past several years has been the disconnect between the real economy and stock market performance. The TASI advanced 6%, underperforming other emerging markets; the MSCI EM improved by 15.1%. Listed companies continue to grow profits, excluding the petrochemical sector which saw a 17% drop last year. The rest of the market grew profits by 15.8%.

Capital markets activity improved during the year. IPO volumes in the Kingdom reached SR 5.5 billion from 8 issues. Brokerage volumes were up 76%. Debt capital markets issuances were approximately SR 11.2 billion from 15 issuances.

In these interesting and challenging times, Jadwa delivered strong performance for clients and shareholders. In Asset Management, our track record for fund performance continues. Our Saudi, GCC and Arab Markets Funds were top quartile performers for the fifth year in a row. The performance of our products remains very strong on an absolute basis: a client that invested in every product we have offered since 2007 would be up 86% through 2012. For comparison, TASI was up 15% over this period. In 2012 we offered clients several new investment opportunities in the Saudi healthcare, hospitality, and residential real estate sectors.

In Investment Banking, we closed three deals, and have a strong pipeline of IPOs and M&A transactions. We made significant investments in post-acquisition services for our six portfolio companies: Gulf Union Food Company, United Matbouli Group, Al-Zamil Company for Industry, Trade and Transport, Luberef, Abdulmohsen Al-Hokair Group for Tourism and Development Company, and Al-Hammadi Company for Development and Investment.

Our Proprietary Investments portfolio grew in line with our merchant banking and real estate investments, and we continue to see the benefits of our exposure to the Saudi real economy. In Research we continued our comprehensive report publication schedule.

Our expectations for the Saudi economy in 2013 are consistent with our 2012 outlook: strong performance of the Saudi real economy coupled with unclear risk appetite from investors. The real economy continues to be powered by demographics, high oil prices and government spending, with construction-linked sectors, retail, education and healthcare all benefiting.

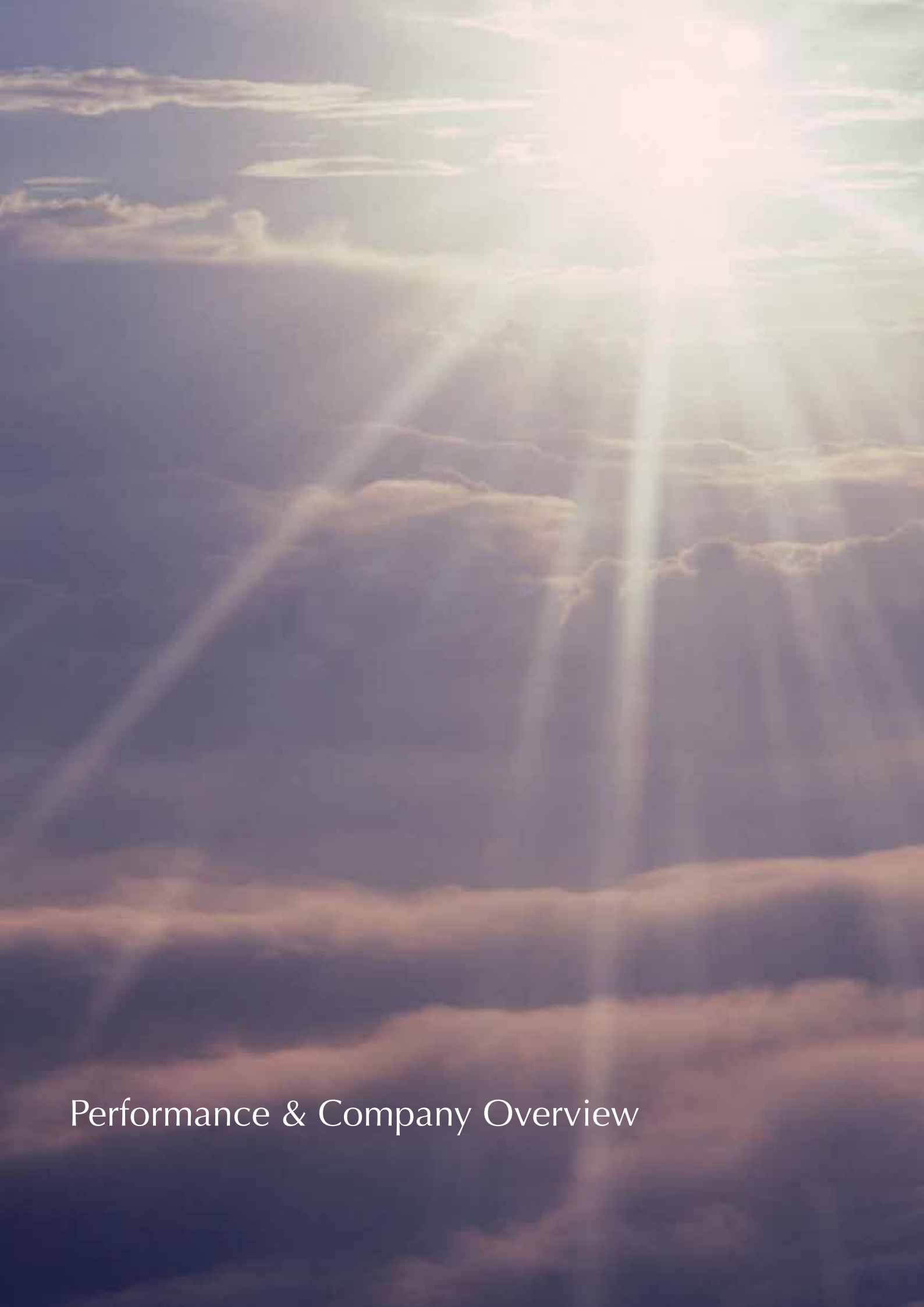
We continue to invest heavily in our biggest asset, our people. During the year we deployed our highest ever training budget, and ran the first tranche of a managerial assessment program designed to provide developmental feedback to our senior people while helping us create our next generation of leaders.

Overall, we had a strong 2012 and I believe our business model and key capabilities are well positioned for 2013.

Sincerely,

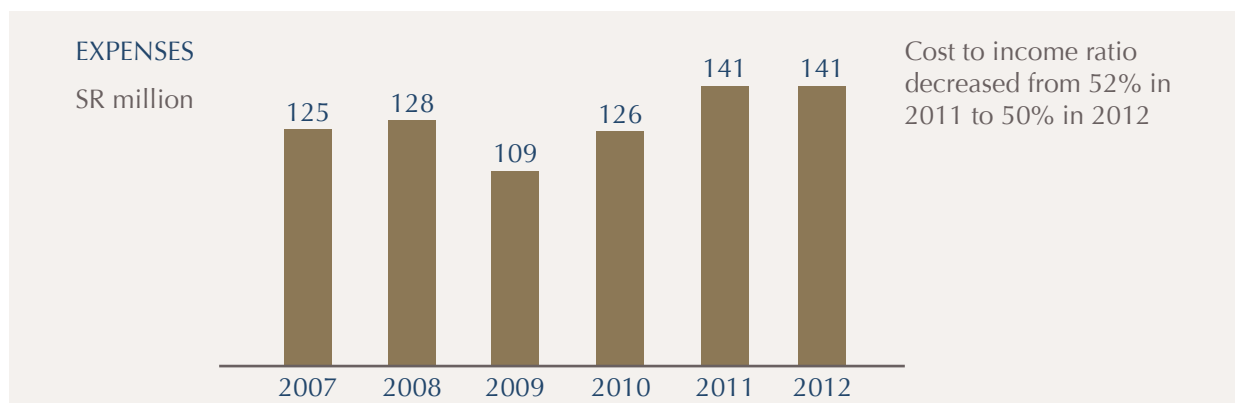
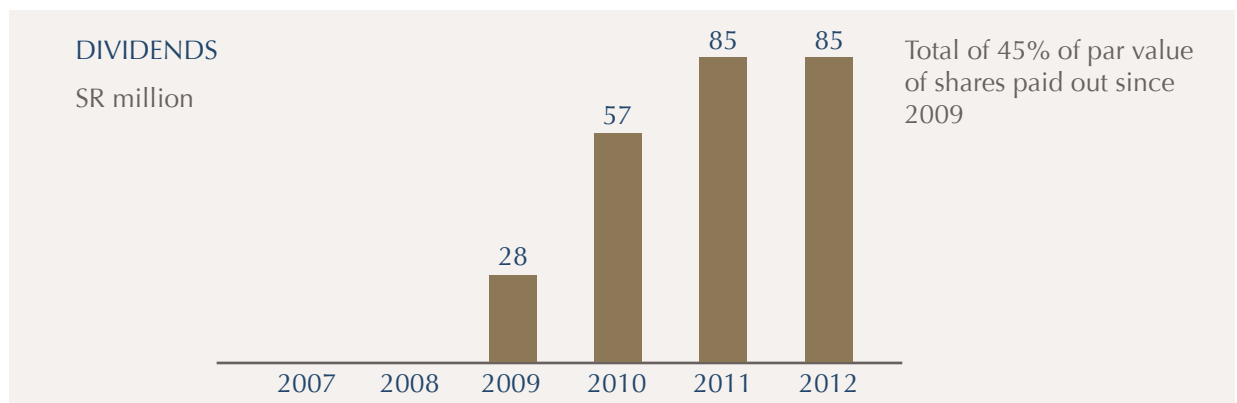
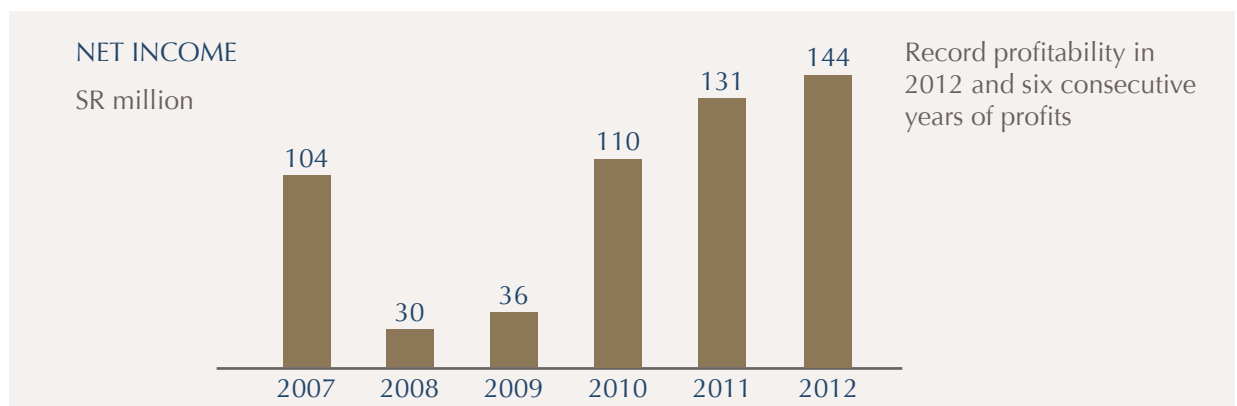
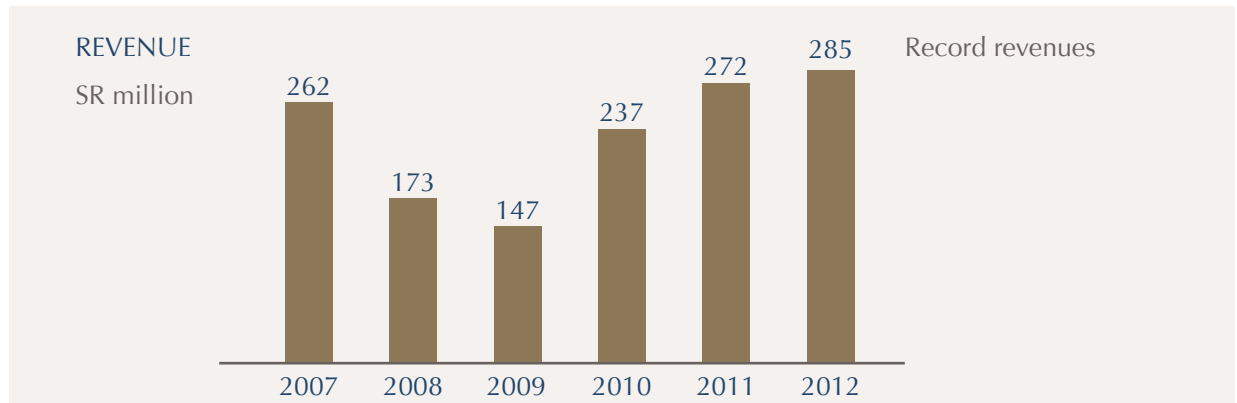


Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO



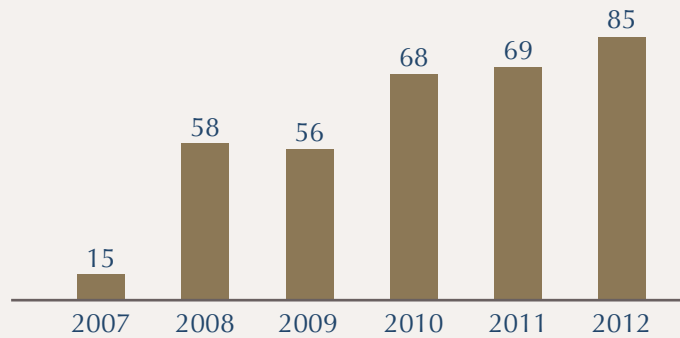
Performance & Company Overview

Performance Overview



ANNUITY REVENUE

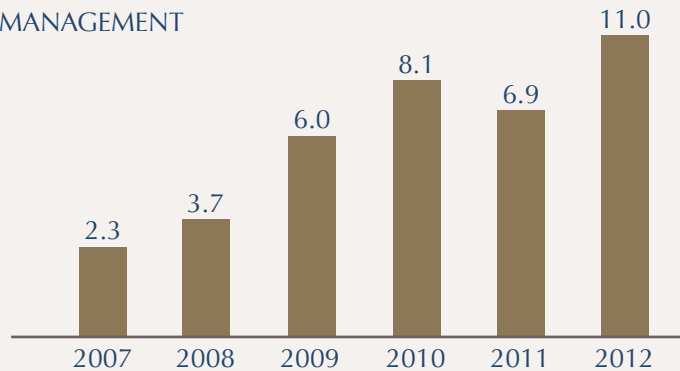
SR million



Strong growth in management fees as AUMs rise

ASSETS UNDER MANAGEMENT

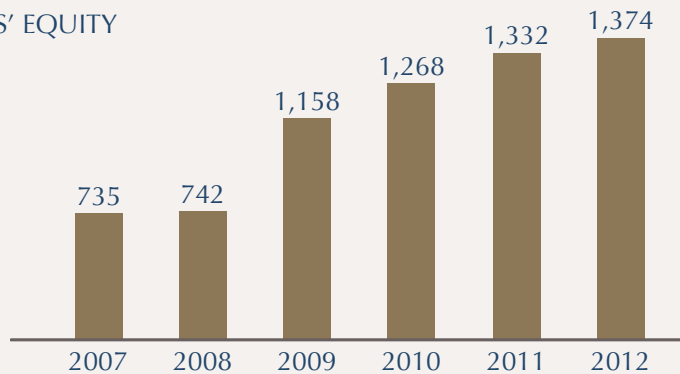
SR billion



Our outstanding performance was the main driver for the increase in AUMs

SHAREHOLDERS' EQUITY

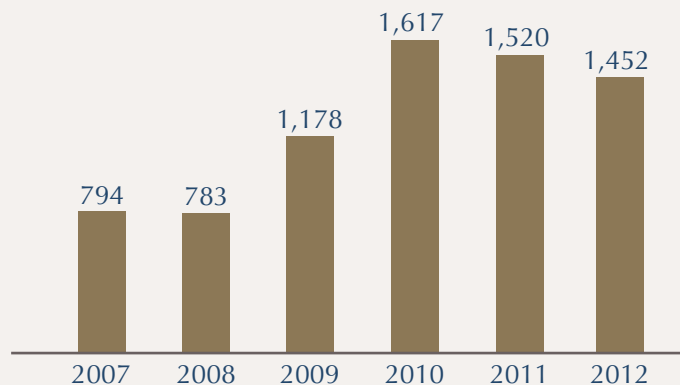
SR million



Shareholders' equity growth CAGR of 13% since 2007, including dividends

ASSETS

SR million



Asset growth CAGR of 11% 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 in the Kingdom and beyond.

Company Overview

Asset Management

2012 was a good year for Asset Management as our revenues increased by 46% to reach SR 91 million. Our assets under management also crossed the SR 10 billion milestone during the year to end at SR 11.03 billion, further strengthening Jadwa's position as the largest independent asset manager in the Kingdom. These landmarks were achieved as a result of the market leading performance of our products, continued efforts to increase and diversify our client base of institutions, family offices and high net worth individuals and our ability to source and structure investment products that meet our client needs.

For the 5th consecutive year, our three flagship funds were amongst the top three performers in their respective categories, with Jadwa Saudi Equity Fund and Jadwa Arab Markets Equity Fund the best performing funds in 2012 amongst their peers. The highlight of the year was Jadwa's private placement of Kings Reach Tower (Phase II), a prestigious mixed-use property in central London. We raised over SR 2 billion in equity and project level debt in 2012 for the development. In terms of size, this is to date the largest product offering from Jadwa, and follows a successful completion and exit from KRT Phase I with a net profit of 34% for investors.

We also launched our first co-branded Saudi real estate fund, Jadwa Al-Argan Saudi Residential Development Fund capitalizing on demand for affordable housing in the Kingdom. The fund aims to construct and sell 400 apartments in two years.

During the year, we received a number of awards for performance of our funds and overall as an asset manager. Furthermore, Moody's Investor Service reaffirmed our MQ2 Manager Quality rating during the year, the highest in the region and second highest on a scale to rate asset managers globally.

We remain cautiously optimistic about 2013. We will continue to focus on local and regional equities

through our discretionary portfolio management business. We continue to seek private equity and real estate exposure for our clients, and are actively looking at some exciting opportunities in the Kingdom and around the world.

Investment Banking

This year proved to be Investment Banking's most productive since Jadwa's inception, cementing its standing as one of the leading corporate finance, equity capital markets and private equity houses in Saudi Arabia. This was reflected in record revenues for Investment Banking and the completion of multiple high-profile transactions.

During 2012, Investment Banking sourced and executed two private equity transactions with a combined value in excess of SR 1 billion. Our investments focused on two of the fastest growing sectors in Saudi Arabia, family entertainment and healthcare. Our first investment was the acquisition of a 35% stake in Al-Hokair Group, a leading hospitality and entertainment player in Saudi Arabia. This was followed by the acquisition of a 30% stake in Al-Hammadi Group, a well-established and fast growing healthcare provider in Riyadh. The department was also very active in M&A, advising on several mandates including Saudi Printing and Packaging Company's acquisition of Emirates National Factory of Plastic Industries Group in the UAE, the largest cross-border M&A transaction by a listed company in 2012.

As part of Jadwa's value proposition to its partners, Investment Banking also provided hands-on support to the firm's portfolio companies. Our post-acquisition management efforts are focused on supporting growth initiatives, enhancing profitability, and implementing best-practice corporate governance structures and management processes.

We are confident that our success this year will facilitate our ability to further grow in 2013. Looking forward, we will continue our focus on investing in

Since we launched our first products in 2007, a client who invested in every Jadwa product would have gained 86% through 2012

high-growth companies, and on advising leading Saudi companies on their critical corporate finance, M&A, and equity capital market initiatives.

Proprietary Investment

Proprietary Investment achieved SR 111 million in revenues for another great year with more diversification in revenue sources. Private equity investments, our largest asset class, continued its strong performance with SR 55 million in revenues largely from portfolio company dividends. Our stock market portfolio, despite market volatility, generated revenue of SR 45 million. Our UK real estate investments yielded SR 11 million. Our focus was to continue to seek attractive investments in line with Jadwa's investment philosophy.

During 2012 Proprietary Investment along with Jadwa clients invested in two very attractive private equity deals in Saudi Arabia: the acquisition of a stake in Abdulmouhsen Al-Hokair Group for Tourism and Development Company, and the acquisition of a stake in Al-Hammadi Company for Development and Investment.

Proprietary Investment maintained a conservative posture in the Saudi Stock market, realizing gains as market rose substantially in the first quarter, and gradually building back positions in attractively valued stocks. Our UK real estate investments had another great year with good dividend yields from CIT fund. The other UK real estate investment is Kings Reach Tower in London; we secured a profitable exit from the first phase and reinvested in the second phase of the project. In 2012, PI made its first Saudi real estate investments through an investment in the Jadwa Al-Argan Saudi Residential Development Fund.

We rebalanced our portfolio in 2012 to reduce concentrations in some assets. The underlying assets in our private equity portfolio showed outstanding performance in 2012. Our largest investment, a joint venture with Aramco continue to its strong performance and is undergoing a major expansion to expand its product offerings.

Brokerage

Brokerage had another solid year in 2012, increasing profitability as well as adopting major cost optimization. Our trading platform allows clients to place their own conditional orders and provide a full access to GCC and other key Middle Eastern stock markets, in addition to Sukuk and commodities trading.

Private & Institutional Client Investments

Private & Institutional Client Investments is responsible for coordinating and managing relationships with clients and fundraising for Jadwa's products. During 2012 Jadwa raised approximately SR 3.22 billion in new assets from high net worth and institutional clients in Saudi Arabia. This fundraising was conducted for existing open-ended funds and discretionary portfolio management services, and to support the launch of three new closed-ended funds during the year.

Research

It was another strong year for the Research department. In an environment of global economic uncertainty, ongoing 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. In total, we produced in excess of 40 reports during 2012, several of which were on a fee basis for private clients.

Our reports continued to attract widespread media coverage and key department members are respected commentators, regularly appearing on television and in newswires and the print media. The Chief Economist and Head of Research are also in demand as speakers and between them presented at almost 20 external events during the year. All these activities made a valuable contribution to supporting Jadwa's brand. In addition, the department provided a wide variety of support to other units within Jadwa.

Operating Office

The office of the Chief Operating Officer has continued its effort to support the business lines in aligning with our firm strategy and smoothed operations with the focus on cost optimization and quality service.



During 2012 we launched new communication infrastructure enabling business teams to work and communicate better while on the move ensuring secured connectivity.

Investment Operations

Investment operations provided another year of smooth and continued support to all departments. We handled all back office and administrative activities relating to 16 funds (including closed funds) and to our discretionary accounts. We also performed an average of 200 weekly Funds/DPMs valuations in addition to all other regulatory, MIS and Financial Reports, including for external audit purposes.

Human Resources

In 2012 Human Resources focused on human capital development by providing learning programs tailored to the needs of identified employees for the purpose of enhancing their skills and work performance. A total of 1,224 learning hours were achieved, shared 55 percent from Front Office and 45 percent by Back Office staff. Part of the human capital development program in 2012 was the identification of the talent pool from various business lines across Jadwa that has the potential to become future leaders in the company. Members of the talent pool were assessed by external experts and development needs identified that will be translated into development programs to be implemented starting in 2013.

Information Technology

IT has continued its efforts to provide technology solutions to business lines and clients, with emphasis on streamlining and enabling Asset Management needs and performance management. Additionally, continuous efforts have been dedicated to optimize our costs and increase efficiency. New communication infrastructure has been launched to enable business teams to work and communicate better while they are on the move. Important updates have been implemented on the technical side to ensure our datacenter and network infrastructure remains responsive to the needs of internal and external clients, with the focus on information security and system controls.

Administration

Administration continued its effort in maintaining efficiency by adding workflow services towards our goal of enabling paperless service. Projects such as an inventory management and monitoring system as well as workflow services have been implemented this year. Administration has implemented and completed the new offices for Asset Management.

Corporate Communications

Corporate communications continued to pursue activities to support Jadwa's strong brand during 2012, 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 sponsored selected conferences in addition to arranging and managing all meetings of the Board of Directors.

Shariah Group

The Shariah group throughout 2012 has successfully continued to support the business lines in the area of Shariah consultation, and have also managed to audit all Jadwa's activities to assure their compliance with Shariah resolutions.

During 2012, the Shariah group reviewed a number of contracts, agreements, projects and funds, and played an essential role in structuring new products to meet Shariah guidelines. The department also issued a number of publications focusing on financial dealings, and represented Jadwa by participating in Islamic banking related conferences and workshops.

The Shariah group concluded the year by issuing an annual Shariah board statement that indicates the compliance status of the company with our Shariah guidelines and resolutions.

Legal

The Legal department took the initiative during 2012 to assist all departments by providing prompt and efficient legal support. The primary goal in 2012 was to provide

Industry recognition for excellence



legal counseling and complete documents for projects provided by all departments including Investment Banking and Asset Management, as well as prompt responses to requests received from authorities.

Compliance & AML

In 2012 the Compliance and Anti-Money Laundering unit has continued supervising the implementation of the Corporate Governance Regulations issued by the Capital Market Authority. The Compliance department at Jadwa has continued to build a compliance-aware culture. This is a key element of Jadwa's business philosophy and we are continuously working to achieve this goal.

Corporate Secretary Office

The Office of the Corporate Secretary maintained its focus on high standards of corporate governance practices to protect the interests of all shareholders. Over the course of 2012, we organized meetings for 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 operational and departmental policies and procedures were reviewed to meet new regulatory requirements.

Risk Management

During 2012, Risk Management updated the risk profiles of every department and analyzed risks from an integrated perspective focusing on interdependency of risk relationships. Risk Management actively assisted in the implementation of prudential guidelines on risk weighted capital adequacy requirements of the CMA. We identified assessed risks and worked with business owners on mitigation strategies for Investment Banking and Asset Management transactions. For the second year Jadwa's risk and control environment withstood the rigorous evaluation by Moody's for securing MQ2 rating for asset manager quality.

Finance

During 2012, Finance Department secured all financing needs for the execution of private equity deals and managed Jadwa's balance sheet to achieve optimum capital structure and return on equity. The department led the review and implementation of the new CMA prudential rules. The department achieved all of the key performance indicators in 2012 and ensured the timely delivery of high-quality and reliable financial reports.



6 awards



Shariah Supervisory Board Annual Statement

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)

Head of Shariah group at Jadwa Investment, and 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 2012

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 للإستثمار
Jadwa Investment

In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD (Annual Shariah Statement for the Year 2012)

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 2012, which confirms the company's commitment to Shariah resolutions, and their report on 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 2012 and brought to our attention, were Shariah compliant.
2. Profits and losses charged to the investment account are consistent with the rules that the Shariah board had approved, and therefore are shariah compliant.
3. 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

Dr. Mohammad Elgari

Member

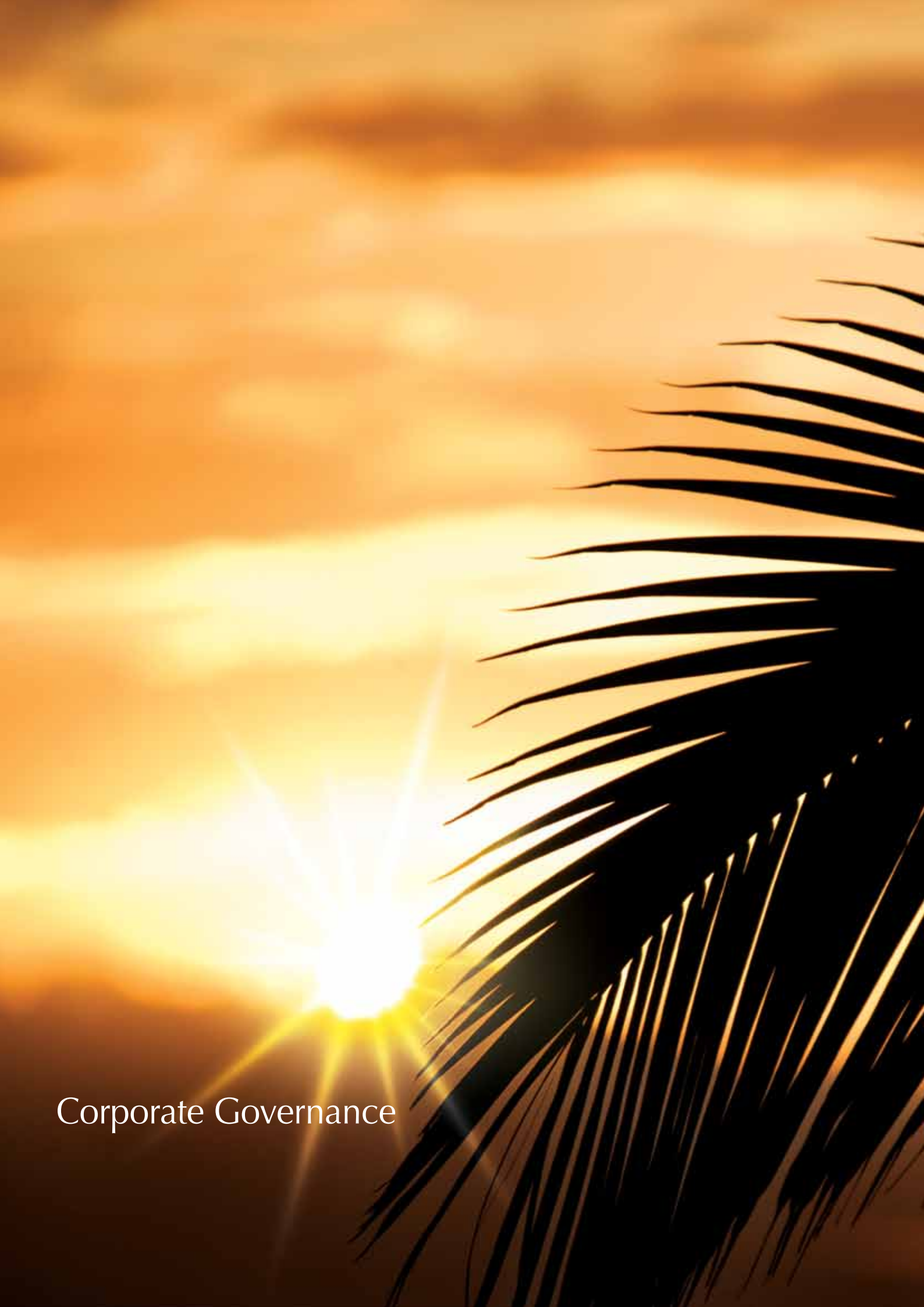
Bader Abdulaziz Alomar

Member

Ahmed Abdulrahman Algaidy

Secretary

شركة مساهمة سعودية مقفلة، مخصصة من قبل هيئة السوق المالية، رأس المال 568,490,000 ريال سعودي مدفوع بالكامل
الإدارة العامة: هاتف +966 1 279-1111 فاكس +966 1 279-1571 ص.ب. 60677، الرياض 11555، المملكة العربية السعودية
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Head Office: Phone +966 1 279-1111 Fax +966 1 279-1571 P.O. Box 60677, Riyadh 11555, Saudi Arabia



Corporate Governance

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:

	The sequence of Articles according to the CMA Circular	Elaboration	Non-committed	Semi-committed	Committed
1	Formation of the Board of Directors to include independent members.				✓
2	Issue the Annual Report included:				
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	Summary of description of the jurisdictions of the key Board Committees and its functions, names of the chairman and members and the number of meetings.				✓
2.5	Details of remuneration and compensation paid by the company to the Board Members, 5 Senior Executives who received highest remuneration in addition to them the CEO and the CFO, if they were not included.			✓	
2.6	Any penalty, sanction or reserve restriction imposed by the CMA or any other supervisory, judicial or regulatory authority.				✓
2.7	The result of annual audit for the activation of the internal control procedures of the company.				✓
3	Submit 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	Develop professional code of conduct of the staff.				✓
4.4	Form the supervisory committees.				✓

Board of Directors' membership in other companies

	Name	Committee	Membership in other companies
1	HRH Prince Faisal Bin Salman Bin Abdulaziz Al Saud Chairman of the Board	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Saudi Research and Marketing Group - Chairman of the Board of Directors, Chairman of the Executive Committee • Saudi Printing & Packaging Company - Chairman of the Board of Directors • Rafal Company - 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, Kuala Lumpur, Malaysia - Trustee • Khazanah Nasional Berhad - Director • PEMANDU Corporation - Trustee/Director
3	Mr. Howard Marks Member	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Oaktree Capital Management, L.P., USA - Chairman
4	Mr. Adib Alzamil 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, Member of Executive Committee, Member of Audit Committee • Bank Al Bilad - Board Member • Saudi Formaldehyde Chemicals Co. Ltd (Chemanol) - Board Member, Member of Audit Committee • Fajr Capital - Chairman of the Board of Directors
5	Mr. Iqbal Khan Member	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital, UAE - Board Member, Member of Investment Committee, Member of HR Committee • Bank Islam Brunei Darussalam, Brunei - Board Member, Member of Executive Committee • MENA Infrastructure Fund - Board Member • Tamar Energy - Board Member of the Advisory Board
6	Mr. Abdulrahman Al-Rowaita Member	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Aseer Company - Board Member & Managing Director, Member of Investment Committee • Saudi Research & Marketing Group - Board Member, Member of Executive Committee, Member of Compliance and Remuneration, Member of Compensation and Remuneration Committee • King Abdullah Economic City (EMAAR) - Board Member, Member of Executive Committee • Halwani Brothers - Chairman of the Board of Directors • Al Khozama Management Company - Board Member
7	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, Monthly Investment Committee, HR, Compensation & Nomination Committee • Mohammed Al-Subeaei & Sons Investment CO. (MASIC) - Board Member, Member of the Executive Committee • Bank Islam Brunei Dar-ul-Islam (BIBD) - Board Member, Member of Strategic Committee • The Chamber of Commerce, Riyadh - Member of Endowment Committee
8	Mr. Michael Powell Member	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Thematic Capital Partners LLP, UK - Chairman of the Board of Directors • Tamar Energy - Board Member • Fajr Capital - Board Member, Member of Executive Committee • Exogenesis Corporation, USA - Board Member
9	Mr. Ahmed Al-Khateeb Member	<ul style="list-style-type: none"> • Non-Independent • Executive 	<ul style="list-style-type: none"> • Tadawul - Board Member, Chairman of Risk Committee • Saudi Aramco Lubricating Oil Refining Company (Luberef) - Board Member, Chairman of Audit Committee, Member of Compensation Committee, • Abdulmohsen Al-Hokair Group for Tourism and Development Company - Board Member • The Saudi Aramco Entrepreneurship Center (Wa'ed) - Board Member

Board of Directors Remuneration for 2012

	Name	Annual Remuneration	Allowances	Total
1	HRH Prince Faisal Bin Salman Bin Abdulaziz Al Saud	200,000	31,500	231,500
2	Tan Sri Dato' Azman Mokhtar	200,000	16,500	216,500
3	Mr. Howard Marks	116,667	6,000	122,667
4	Mr. Adib Alzamil	200,000	16,500	216,500
5	Mr. Iqbal Khan	200,000	9,000	209,000
6	Mr. Abdulrahman Al-Rowaita	200,000	24,000	224,000
7	Mr. Abdulaziz Al-Subeaei	200,000	9,000	209,000
8	Mr. Michael Powell	200,000	9,000	209,000
9	Mr. Ahmed Al-Khateeb	-	9,000	9,000
	Total	1,516,667	130,500	1,647,167

Board of Directors' Committees

Executive Committee		Members' Qualifications	
1	Mr. Iqbal Khan	Chairman	Independent board member, non-executive
2	Mr. Adib Alzamil	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. Abdulkassm Abdulhamid	Secretary	Executive

The Executive Committee oversees the financial and operational performance of the company and it is chaired by an independent member of the Board of Directors. The members of the Executive Committee are solely responsible to the Board of Directors. The committee assists the Board of Directors in handling issues which might be overlooked and to ensure good monitoring systems of the company. It keeps under review the adequacy of reporting arrangements and effectiveness of internal control & risk management. It has conducted four meetings in the year 2012.

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	Non-independent external member, non-executive
4	Mr. Tharwat Amer	Member	Executive
5	Ms. Sarah Al-Suhaimi	Member	Executive
6	Mr. Tariq Al-Sudairy	Member	Executive
7	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 five meetings in the year 2012.

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 five meetings in 2012.

Remuneration & Nomination 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 Remuneration & Nomination 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 2012.

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 Abuhaimeid	Secretary	Executive

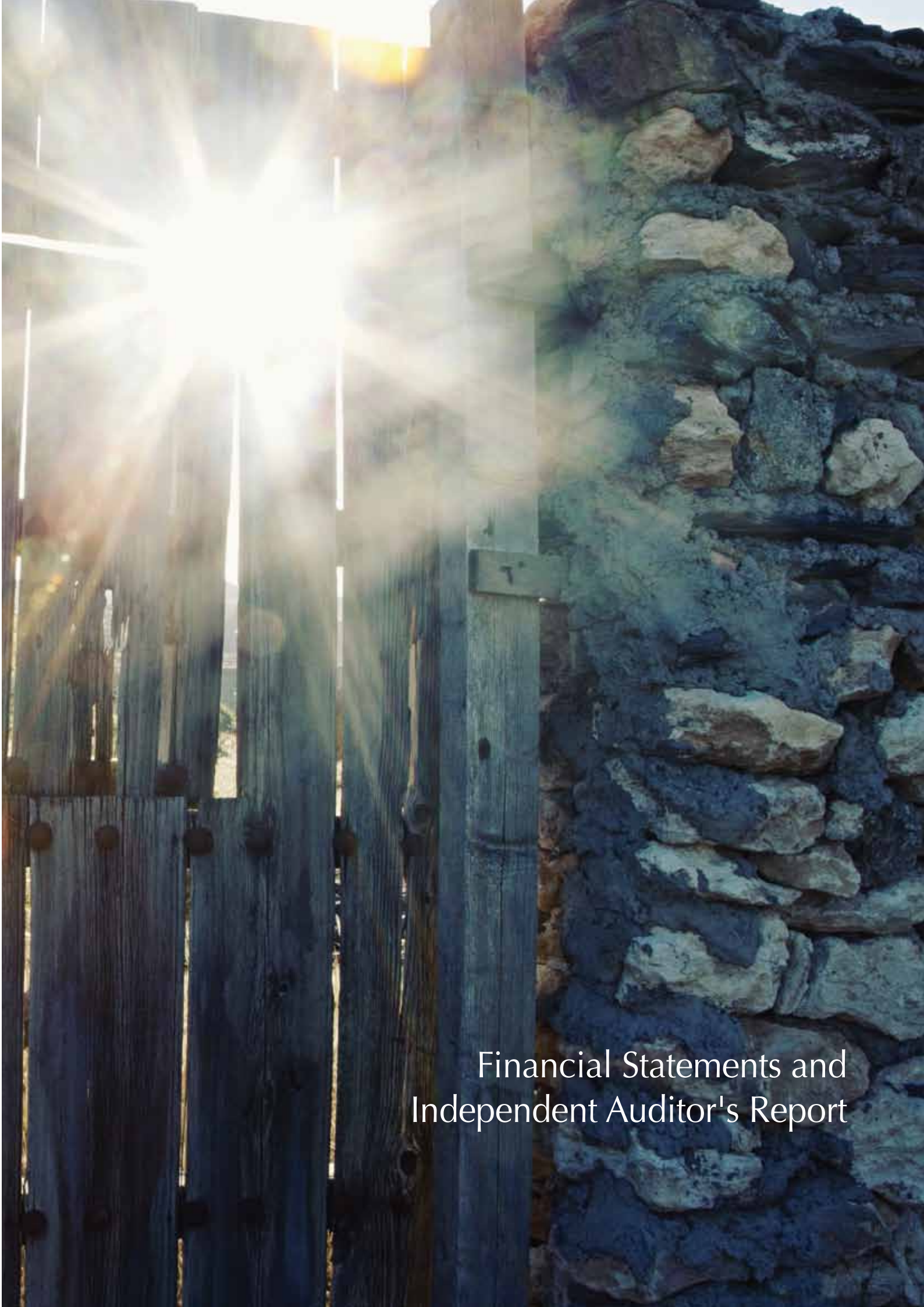
The Compliance Committee was formed to minimize legal or regulatory risks and to demonstrate the company's commitment to follow all laws and regulations, and to maintain the highest ethical standards. It is chaired by a non-executive member of the Board of Directors. Policy statements and guidance were issued with respect to legal and ethical requirements related to business activities. It has conducted two meeting during 2012.

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 2012 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 6 out of 14 departments. Also, Internal Audit performed a follow-up review to close all open findings relating to 9 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 2012 the Internal Audit department was assisted by a reputable audit firm BDO Dr. M. Alameri & Co who provided a part time manager on secondment basis to assist the Head of Internal Audit. 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 & Risk Committee and CEO on progress and observations related to the internal audit activities.



Financial Statements and
Independent Auditor's Report

Deloitte.

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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, 2012, and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and notes 1 to 27 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, taken as a whole, present fairly in all material respects, the financial position of the Company as at December 31, 2012, 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 25, 1434H
February 6, 2013



Balance Sheet as at December 31st, 2012

	Notes	2012 SR	2011 SR
ASSETS			
Current assets			
Cash and cash equivalents	3	56,242,443	14,488,945
Accounts receivable, net	4	44,783,811	51,692,588
Held for trading investments	5	-	140,000,000
Prepaid expenses and other assets	6	7,795,954	5,907,242
Total current assets		108,822,208	212,088,775
Non-current assets			
Available for sale investments	7	1,135,223,003	1,121,871,306
Property and equipment, net	8	4,214,722	4,685,266
Investment in an associate	10	203,464,742	180,968,950
Total non-current assets		1,342,902,467	1,307,525,522
TOTAL ASSETS		1,451,724,675	1,519,614,297
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		8,615,250	-
Deferred revenues		2,500,000	-
Due to bank	12	-	129,997,400
Accrued expenses and other liabilities	14	49,213,807	45,140,031
Zakat and income tax provision	11	7,925,996	5,549,559
Total current liabilities		68,255,053	180,686,990
Non-current liabilities			
End-of-service indemnities		9,008,998	7,341,510
TOTAL LIABILITIES		77,264,051	188,028,500
Shareholders' equity			
Share capital	1, 13	568,490,000	568,490,000
Statutory reserve	13, 15	290,967,929	290,967,929
Changes in fair value of investments	7, 10	164,915,655	173,492,853
Retained earnings		350,087,040	298,635,015
Total shareholders' equity		1,374,460,624	1,331,585,797
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,451,724,675	1,519,614,297

Statement of Income for the year ended December 31st, 2012

	Notes	2012 SR	2011 SR
Revenues			
Asset management		91,105,553	62,277,012
Investment banking		77,091,257	43,190,220
Brokerage		4,812,863	4,314,138
Proprietary investment	16	89,127,133	160,638,051
Share in income of an associate	10	22,495,792	1,404,329
Other revenues		-	653,773
Total revenues		284,632,598	272,477,523
Expenses			
Salaries and other benefits		(96,108,764)	(88,986,555)
Depreciation	8	(2,012,947)	(2,102,726)
Rent expenses		(3,931,784)	(3,386,635)
Commission on short-term loan		(8,714,559)	(7,574,930)
Impairment on investments	7	-	(8,282,470)
Other general and administrative expenses	17	(29,850,057)	(30,788,053)
Total expenses		(140,618,111)	(141,121,369)
Income from operations		144,014,487	131,356,154
Other income	18	-	9,000
NET INCOME		144,014,487	131,365,154
Earnings per share:	19		
Income from operations		2.53	2.31
Net income		2.53	2.31

Statement of Cash Flows for the year ended December 31st, 2012

	2012 SR	2011 SR
OPERATING ACTIVITIES		
Net income	144,014,487	131,365,154
Adjustments for:		
Share in income of an associate	(22,495,792)	(1,404,329)
Depreciation	2,012,947	2,102,726
End-of-service indemnities	2,358,275	1,758,383
Provision for doubtful debts	379,000	1,601,311
Realized gains on sale of available for sale investments	(50,509,500)	(126,441,786)
Unrealized gains on held for trading investments	-	(6,206,382)
Realized (gains) / losses on sale of held for trading investments	(45,709)	4,992,858
Gain from sale of property and equipment	-	(9,000)
Impairment on investments	-	8,282,470
Changes in operating assets and liabilities:		
Accounts receivable	6,529,777	(3,145,189)
Prepaid expenses and other assets	(1,888,712)	1,302,745
Accounts payable	8,615,250	-
Deferred revenues	2,500,000	-
Accrued expenses and other liabilities	7,073,776	3,389,418
End-of-service indemnities paid	(690,787)	(257,425)
Zakat and income tax paid	(4,912,525)	(3,934,828)
Net cash from operating activities	92,940,487	13,396,126
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,542,403)	(582,315)
Proceeds from sale of property and equipment	-	9,000
Additions to available for sale investments	(1,284,964,661)	(218,890,810)
Proceeds from sale of available for sale investments	1,313,545,266	493,804,644
Additions to held for trading investments	-	(144,932,354)
Proceeds from sale of held for trading investments	140,045,709	-
Net cash from investing activities	167,083,911	129,408,165
FINANCING ACTIVITIES		
Proceed from bank facilities	499,992,500	(169,996,867)
Repayment of bank facilities	(629,989,900)	-
Dividends paid	(88,273,500)	(53,849,000)
Net cash used in financing activities	(218,270,900)	(223,845,867)
Net change in cash and cash equivalents	41,753,498	(81,041,576)
Cash and cash equivalents, beginning of year	14,488,945	95,530,521
Cash and cash equivalents, end of year	56,242,443	14,488,945
Non-cash items:		
Changes in fair value of investments	(8,577,198)	(14,593,507)

Statement of changes in Shareholders' Equity for the year ended December 31st, 2012

	Share capital SR	Statutory reserve SR	Changes in fair value of investments SR	Retained earnings SR	Total SR
January 1, 2011	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	-	-	8,282,470	-	8,282,470
Net income	-	-	-	131,365,154	131,365,154
Dividends (Note 20)	-	-	-	(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
Change in fair value of available for sale investments	-	-	(8,577,198)	-	(8,577,198)
Net income	-	-	-	144,014,487	144,014,487
Dividends (Note 20)	-	-	-	(85,273,500)	(85,273,500)
Zakat and income tax provision (Note 11)	-	-	-	(7,288,962)	(7,288,962)
December 31, 2012	568,490,000	290,967,929	164,915,655	350,087,040	1,374,460,624

Notes to the Financial Statements for the year ended December 31st, 2012

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 1428 H (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 owns shares in their capital, and over which it exercises significant influence but not control. 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, 2012 (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 are payable as a lump sum to all employees employed under the terms and conditions of the Saudi Labor Law on termination of their employment contracts. The liability is calculated as the current value of the vested indemnities to which the employee is entitled, should the employee leave at the balance sheet date. Indemnity payments are based on employees' final salaries and their cumulative years of service, as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

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:

	2012 SR	2011 SR
Bank current accounts	14,917,744	14,488,945
Murabaha contracts	41,324,699	-
	56,242,443	14,488,945

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 at an average commission rate of 0.20% per annum (December 31, 2011: 0.10% 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:

	2012 SR	2011 SR
Accounts receivable (4.1)	48,981,622	55,511,399
Provision for doubtful receivables	(4,197,811)	(3,818,811)
	44,783,811	51,692,588

The movement in the provision for doubtful receivables is as follows:

	2012 SR	2011 SR
Opening balance	3,818,811	2,662,500
Provision made during the year	379,000	1,156,311
Closing balance	4,197,811	3,818,811

4.1. Accounts receivable include SR 20,680,997 (2011: SR 20,505,864) receivable from related parties.

5. HELD FOR TRADING INVESTMENTS

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

	2012 SR	2011 SR
Open-ended funds	-	140,000,000
	-	140,000,000

On July 10, 2011, the Company reclassified its investments held in the trading portfolio, which are reported under its "Held for Trading Investments" to "Available for Sale Investments". The carrying and fair value of these reclassified investments as at December 31, 2012 was SR 41.13 million (December 31, 2011: SR 297.63 million).

Had the reclassification not occurred, the statement of income for the year ended December 31, 2012, would have included a fair value loss on such reclassified investments amounting to SR 2.78 million (December 31, 2011: loss of SR 8.34 million).

Notes to the Financial Statements for the year ended December 31st, 2012 (continued)

6. PREPAID EXPENSES AND OTHER ASSETS

	2012 SR	2011 SR
Loans to employees	1,461,082	1,945,000
Advance income tax	1,860,573	-
Prepaid software maintenance	1,628,858	691,259
Prepaid rent	1,208,238	1,106,320
Advances to employees	899,367	756,844
Loan to ex-employee	890,000	890,000
Prepaid insurance	292,836	701,757
Others	-	261,062
	8,240,954	6,352,242
Provision for doubtful loan to ex-employee	(445,000)	(445,000)
	7,795,954	5,907,242

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	Fair value 2012 SR	Fair value 2011 SR
Open-ended funds	79,000,000	(230,396)	78,769,604	123,999,821
Closed-ended funds	798,898,043	15,773,227	814,671,270	527,183,976
Equity shares	249,721,534	(7,939,405)	241,782,129	470,687,509
	1,127,619,577	7,603,426	1,135,223,003	1,121,871,306

The change in fair value of available for sale investments amounting to SR 7,603,426 is included in shareholders' equity as at December 31, 2012 (December 31, 2011: SR 16,180,624).

As disclosed in Note 5, the fair value of "Held for Trading Investments" reclassified to "Available for Sale Investment" on the effective date of reclassification, is considered as the cost of these investments.

8. PROPERTY AND EQUIPMENT, NET

	Computer hardware SR	Computer software SR	Furniture and fixtures SR	Office equipment SR	Motor vehicles SR	Leasehold improvements SR	Capital work in progress SR	Total SR
Cost								
January 1, 2012	15,950,362	12,613,090	4,567,883	4,595,216	78,970	7,382,440	489,724	45,677,685
Additions	106,983	-	-	15,250	-	-	1,420,170	1,542,403
Transfers	75,004	-	281,550	104,793	-	460,227	(921,574)	-
December 31, 2012	16,132,349	12,613,090	4,849,433	4,715,259	78,970	7,842,667	988,320	47,220,088
Accumulated depreciation								
January 1, 2012	15,169,127	11,906,964	4,495,306	4,532,219	74,035	4,814,768	-	40,992,419
Charges for the year	238,062	378,458	127,806	78,984	4,935	1,184,702	-	2,012,947
December 31, 2012	15,407,189	12,285,422	4,623,112	4,611,203	78,970	5,999,470	-	43,005,366
Net book value								
December 31, 2012	725,160	327,668	226,321	104,056	-	1,843,197	988,320	4,214,722
December 31, 2011	781,235	706,126	72,577	62,997	4,935	2,567,672	489,724	4,685,266

9. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with related parties during the normal course of business. The balances resulting from transactions with related parties and included in the accompanying financial statements are as follows:

	2012 SR	2011 SR
Cash and cash equivalents include:		
- discretionary cash portfolio held by asset management	481,802	4,732,908
Held for trading investments in managed funds	-	140,000,000
Available for sale investments in managed funds	893,440,874	651,183,797
Asset management fees receivable from:		
- managed funds (Note 4)	14,130,780	9,395,864
Other receivables (Note 4)	6,550,217	11,110,000

Notes to the Financial Statements for the year ended December 31st, 2012 (continued)

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

	2012 SR	2011 SR
Asset management fees include:		
- fees from managed funds	39,999,895	23,956,508
- fees from managing private DPMs	263,387	168,336
Investment banking income from:		
- partners in an associate and other related parties	7,537,000	3,750,000
Dividend from managed funds	23,926,700	15,573,524
Board of Directors' related expenses (Note 17)	3,772,917	1,539,500
Service fees charged to associate	1,500,000	1,375,000

10. INVESTMENT IN AN ASSOCIATE

The following is the movement of investment:

	2012 SR	2011 SR
Beginning balance for the year	23,656,721	22,252,392
Share in income for the year	22,495,792	1,404,329
	46,152,513	23,656,721
Share in unrealized gain on revaluation of available for sale investments	157,312,229	157,312,229
Ending balance for the year	203,464,742	180,968,950

As at December 31, 2012, the share in unrealized gain on revaluation of available for sale investments of the associate is SR 157,312,229 is included under shareholders' equity (December 31, 2011: SR 157,312,229).

11. ZAKAT AND INCOME TAX

The principal elements of the Zakat base are as follows:

	2012 SR	2011 SR
Share capital	568,490,000	568,490,000
Statutory reserve	290,967,929	290,967,929
Retained earnings	213,361,515	175,819,420
Investments	(955,296,978)	(1,136,225,544)
Property and equipment	(26,818,535)	(29,297,706)
Provisions	12,105,321	9,003,052
Adjusted net income	117,076,553	130,577,851
Zakat base	219,885,805	9,335,002

Zakat

	2012 SR	2011 SR
Portion of the Saudi shareholders' adjusted net income/zakat base (2012: 90%, 2011: 90%)	197,897,225	117,520,066
Zakat for the year (2.5%)	4,947,431	2,938,002

Income Tax

	2012 SR	2011 SR
Portion of adjusted net income for non-Saudi shareholders (2012: 10%, 2011: 10%)	11,707,655	13,057,785
Income tax for the year (20%)	2,341,531	2,611,557

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

	2012 SR	2011 SR
Beginning of year	5,549,559	3,934,828
Provision for the year	7,288,962	5,549,559
Payment during the year	(4,912,525)	(3,934,828)
Total zakat and income tax	7,925,996	5,549,559

The Company submitted its zakat and income tax returns for the years from 2007 through 2011 to the Department of Zakat and Income Tax ("DZIT"). The DZIT has recently raised an additional assessment of SR 9.71 million for the period ended December 31, 2007 against which the Company has filed an appeal. The zakat and income tax returns for the years from 2008 to 2011 are still under review by the DZIT.

12. SHORT-TERM LOAN

During the year ended December 31, 2012, the Company obtained facilities in the form of Islamic Murabaha from a local commercial bank for a total amount of SR 700 million (December 31, 2011: SR 200 million) divided into SR 500 million for revolving facility (2011: SR 200 million) and SR 200 million for short-term loan (2011: Nil). An amount of SR 500 million was utilized during the year (2011: SR 130 million). These facilities are secured by a promissory note and subject to a commission rate of 3.16% to 3.98% (2011: 3.77%) as specified in the agreement. The facilities arrangements include certain covenants, which the Company was in compliance with as at December 31, 2012.

During the year ended December 31, 2012, the bank facilities were fully settled.

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.

Notes to the Financial Statements for the year ended December 31st, 2012 (continued)

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 SR	2011 SR
Accrued employees' salaries and related benefits	48,519,706	41,161,614
Provisions and other liabilities	500,000	500,000
Suppliers of fixed assets	194,101	138,070
Accrued commission	-	340,347
Dividend payable	-	3,000,000
	49,213,807	45,140,031

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.

16. REVENUES FROM PROPRIETARY INVESTMENT

	2012 SR	2011 SR
Realized gains on sale of available for sale investments, net	50,509,500	126,441,786
Dividend income	38,565,057	31,877,552
Realized gains / (losses) on held for trading investments, net	45,709	(4,992,858)
Commission income	6,867	22,133
Unrealized gains on held for trading investments, net (Note 5)	-	6,206,382
Underwriting fees	-	1,083,056
	89,127,133	160,638,051

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR	2011 SR
Professional and consulting fees	5,396,495	9,093,851
Board of Directors' related expenses (Note 9)	3,772,917	1,539,500
Subscription fees	3,497,034	3,090,300
Maintenance	3,414,116	3,443,813
Contractual labor	2,508,444	1,845,595
Traveling expenses	2,409,238	2,977,040
Telecommunication	1,350,633	1,532,746
Withholding taxes	705,163	319,020
Advertisement	663,166	1,640,089
Printing	640,767	450,300
Conference expenses	626,135	314,304
Meeting expenses	535,642	367,999
Utilities	421,357	419,535
Provision for doubtful debts	379,000	1,601,311
Insurance	253,328	242,813
Security expenses	144,000	156,000
Others	3,132,622	1,753,837
	29,850,057	30,788,053

18. OTHER INCOME

	2012 SR	2011 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, 2012 and 2011 and amounting to 56.85 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, 2012 and 2011 and amounting to 56.85 million shares.

20. DIVIDENDS

During 2011, the shareholders in their meeting held on Rabi ath-Thani 14, 1432H (corresponding to March 19, 2011) approved the distribution of dividends amounting to SR 56.85 million from the retained earnings, out of which SR 53.85 million was paid during the year ended December 31, 2011.

During 2012, the shareholders in their meeting held on Rabi al-Awwal 14, 1433H (corresponding to February 2, 2012) approved the distribution of dividends amounting to SR 85.27 million from the retained earnings, which was paid along with unpaid dividend of 2011 amounting to SR 3 million during the year ended December 31, 2012.

Notes to the Financial Statements

for the year ended December 31st, 2012 (continued)

21. 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 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 included within this business segment, which also comprise strategy and business development, legal and compliance, finance, operations, human resources and client relations 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.

<u>Year ended December 31, 2012</u>	Investment banking services SR	Brokerage SR	Asset management services SR	Corporate SR	Total SR
Revenue	77,091,257	4,812,863	91,105,553	111,622,925	284,632,598
Expenses	(24,265,832)	(4,640,555)	(28,491,152)	(83,220,572)	(140,618,111)
Income / (loss) from operations	52,825,425	172,308	62,614,401	28,402,353	144,014,487
Total assets	15,052,284	-	30,213,329	1,406,459,062	1,451,724,675
Total liabilities	21,266,600	380,180	10,601,800	45,015,471	77,264,051
<u>Year ended December 31, 2011</u>					
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

22. COMMITMENTS AND CONTINGENCIES

At December 31, 2012, 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 237 million (2011: SR 259.50 million).

23. CLIENTS' CASH ACCOUNTS

At December 31, 2012, the Company was holding clients' cash accounts amounting to SR 129.87 million (2011: SR 196.87 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.

24. 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.

25. ASSETS UNDER MANAGEMENT

These represent the mutual funds' assets related to the funds unit holders managed by the Company, which amount to SR 11.03 billion as at December 31, 2012 (2011: SR 9.02 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements.

26. 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, accounts receivables, due from a related party, loans to employees, advances to employees and investments in open ended mutual funds and private equity funds.

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 2012	Gross maximum exposure 2011
	SR	SR
Cash and cash equivalents	56,242,443	14,488,945
Accounts receivables	44,783,811	51,692,588
Held for trading investments	-	140,000,000
Loans to employees	1,461,082	1,945,000
Advances to employees	899,367	756,844
Loan to ex-employee	890,000	890,000
Available for sale investments	893,440,874	651,183,797
	997,717,577	860,957,174

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.

Notes to the Financial Statements for the year ended December 31st, 2012 (continued)

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.

	2012 SR	2011 SR
Increase/decrease in basis points +/- 25 bps	374,137	490,264

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	2012 SR	Less than 12 months SR	More than 12 months SR	2011 SR
Cash and cash equivalents	56,242,443	-	56,242,443	14,488,945	-	14,488,945
Accounts receivable, net	44,783,811	-	44,783,811	51,692,588	-	51,692,588
Held for trading investments	-	-	-	140,000,000	-	140,000,000
Prepaid expenses and other assets	7,795,954	-	7,795,954	5,907,242	-	5,907,242
Available for sale investments	-	1,135,223,003	1,135,223,003	-	1,121,871,306	1,121,871,306
Investment in associate	-	203,464,742	203,464,742	-	180,968,950	180,968,950
Total assets	108,822,208	1,338,687,745	1,447,509,953	212,088,775	1,302,840,256	1,514,929,031
Accounts payable	8,615,250	-	8,615,250	-	-	-
Deferred revenue	2,500,000	-	2,500,000	-	-	-
Short-term loan	-	-	-	129,997,400	-	129,997,400
Accrued expenses and other liabilities	49,213,807	-	49,213,807	45,140,031	-	45,140,031
Zakat and income tax provision	7,925,996	-	7,925,996	5,549,559	-	5,549,559
End-of-service indemnities	-	9,008,998	9,008,998	-	7,341,510	7,341,510
Total liabilities	68,255,053	9,008,998	77,264,051	180,686,990	7,341,510	188,028,500
Net	40,567,155	1,329,678,747	1,370,245,902	31,401,785	1,295,498,746	1,326,900,531

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.

27. COMPARATIVE FIGURES

Certain figures for 2011 have been reclassified to conform with the presentation in the current year.