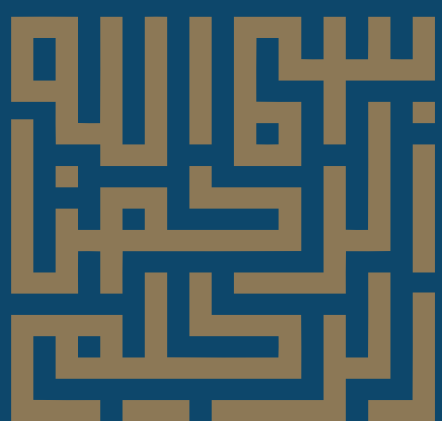


2013

Annual Report



جدوى للاستثمار
Jadwa Investment





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

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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 11 279-1111 Fax +966 11 279-1571
P.O. Box 60677, Riyadh 11555, Saudi Arabia

www.jadwa.com

Board of Directors



Adib Bin Abdullah Alzamil
Chairman of the Board of Directors



Tan Sri Dato' Azman Mokhtar
Member



Howard Marks
Member



Iqbal Ahmad Khan
Member



Abdulrahman Bin Ibrahim
Al-Ruwaita
Member



Michael Powell
Member



Abdulaziz Bin Mohammed
Al-Subeaie
Member



Ahmed Bin Aqeel Al-Khateeb
Managing Director & CEO

Chairman's Statement

Dear valued shareholders,

It is my pleasure to present to you the annual report of Jadwa Investment for the fiscal year 2013. Through it, I am delighted to report another year of accomplished successes. We managed to break new record figures, where our financial performance continued its solid positive growth. The Company made record revenues of SR 321 million, at a growth rate of 13% compared to 2012. Record net profits of SR 165 million were made, and grew by 15% compared to 2012. We managed to attract more than SR 5 billion of assets under management (AUMs), mostly from new clients. As a result our assets under management exceeded SR 16 billion.

Following Jadwa's strong performance in the previous year, the Board of Directors is proposing a cash dividend of SR 1.50 for each share in 2013, equal to 15% of the nominal share value, in addition to increasing our capital from SR 568,490,000 to SR 852,735,000 by a one-for-two share split.

While the global economy continued on its path towards recovery, Saudi Arabia performed strongly during 2013. The progressive marked activity of the Saudi private and non-oil sectors resulted in greater than expected growth. In 2013, the Saudi private sector contributed effectively to the country's GDP increase.

Within the financial sector, the Saudi stock market had its best year since 2009, rising 25.5% year-on-year, spurred on by strong performance in several sectors, notably the retail, hotels and tourism, and real estate development sectors. These sectors benefited from the local infrastructure mega projects offered by several government agencies. There was marked growth in government spending in crucial sectors such as education, health care, housing, infrastructure, and transport projects.

Internally, after 7 years of inception, each of us has the right to take pride in the Company's major successes in this short period that was full of several regional and international financial and political crises. Despite the difficult conditions through which the global economy passed during this period, the impact on the Company was limited. It occasionally offered the Company some investment opportunities that may not be available in normal conditions. This enabled the Company to grow its clients' portfolio and help them seize the investment opportunities available then. Jadwa's financial performance hit a record, making unprecedented profits.

Last year, unfortunately, we lost His Royal Highness Prince Faisal bin Salman bin Abdulaziz Al Saud as a leader after he chaired the Company since its start. He left us after he was appointed as a governor of Al Madina Al Monawara Region. On behalf of myself, Board members and shareholders and Jadwa staff, I would like to pay tribute and extend appreciation to him for the great efforts exerted by him during his tenure as Board Chairman. He left us after Jadwa had become a star in the sky of the local and regional financial industry. His wise management and deep vision contributed largely to many financial achievements and high growth rates in the first seven years of the Company. These years have paved the way for the Company's continuous march toward excellence and success.

I would also like to thank all of our employees in appreciation of their hard work and dedication in the service of Jadwa, which have resulted in the strong financial performance achieved in 2013. I have full confidence that the management team and our employees will continue to deliver further successes in the coming years.

On behalf of myself and the Board, I would like to extend thanks to all our shareholders for their confidence and continued support.

Best regards.



Adib Bin Abdullah Alzamil
Chairman of the Board of Directors

CEO's Message

Dear valued shareholders,

I am pleased to deliver you this brief message to shed light on major accomplishments in 2013 in which your company hit a record performance, as a result of the clear corporate vision and the excellent working team which implemented the strategy and annual work plans. In previous years, we focused on building the best team to manage client investments, and recruit the best consultants to provide merger and acquisition (M&A) consultancy services. Also we hired top talents for other support functions. This focus resulted in Jadwa being ranked first in market share of M&A deals in 2013. Time has proved the success and effectiveness of our strategy, and its success has been boosted by the strong performance of the Saudi economy, coupled with the continuing improvement in the global economy.

In 2013, we managed to hit record results. Net revenues and net profits were SR 321 million and SR 165 million respectively, up 13% and 15% compared to the previous year. Assets under management were up by 48% at more than SR 16 billion.

It is my extreme pleasure to report that all of our mutual funds, without exception, have outperformed their respective market benchmarks for the year. Jadwa's Saudi Equity Fund ranked first in performance compared to competing funds in the market during 2013. Our investment banking team successfully completed five transactions with a combined value exceeding SR 2.7 billion.

Jadwa Investment's focus continues to be on increasing shareholders' equity value. By the end of 2013, we have total shareholders' equity of SR 1.5 billion, after deducting dividends of SR 340 million paid during the last five years.

As our role is to maintain the Company's growth at these high levels, we have minimally revised our strategy, with the Board's approval, in order to accelerate and broaden our management of public equity, private equity and real estate investments for our clients. This means widening our product and service offerings to meet the growing demands and ambitions of existing and prospective clients. Over time, we will expand our geographical reach by entering new markets and introduce new innovative investment strategies. Additionally, in line with our co-investment model, the firm will continue to invest its own capital jointly with our clients' in new private equity and real estate funds.

Our investment banking team advised on five M&A transactions whose value totaled SR 2.7 billion in 2013, confirming our expertise on managing and implementing such complex transactions. We also continued to play an active role in our private equity portfolio companies, where invested capitals, our broad expertise, and ambitious plans are combined to embody success for our clients, growth in our revenues and expansion in business activities. In private equity and real estate, our teams are busy sourcing new high-quality opportunities and exceptional deals for our valued clients.

Our Research and Studies Department maintained Jadwa's leadership in the specialized economic information and research market. The Company continued to issue its periodic and specialized reports on the Saudi economy. Last year, the Company published an important report on the impact of shale oil and gas on Saudi Arabia. The report received broad media coverage, with great repercussions in money and business communities.

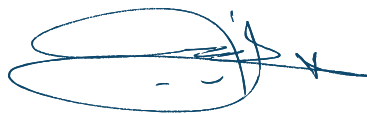
A careful reading of our financial results clearly shows that our revenues continue to become more predictable as growth in Assets Under Management (AUM) leads to higher recurring fee revenue. Meanwhile, our proprietary investments also continue to perform well as we invest alongside our clients. It is Jadwa's policy to align the interests of the Bank with those of our clients.

Now, we are standing at a new stage before an important juncture in the Company's history. Having built the business up over the last seven years, we believe we are now in an advanced position between competitors to add scale

and depth in our operations, and to upgrade the Company's standing as an international leader in capital and investment markets.

Lastly, we promise you that we will exert maximum effort to enhance the equity of our shareholders, exceed our clients' expectations, provide excellent opportunities, offer world-class services, and continue to achieve best results.

Sincerely.

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

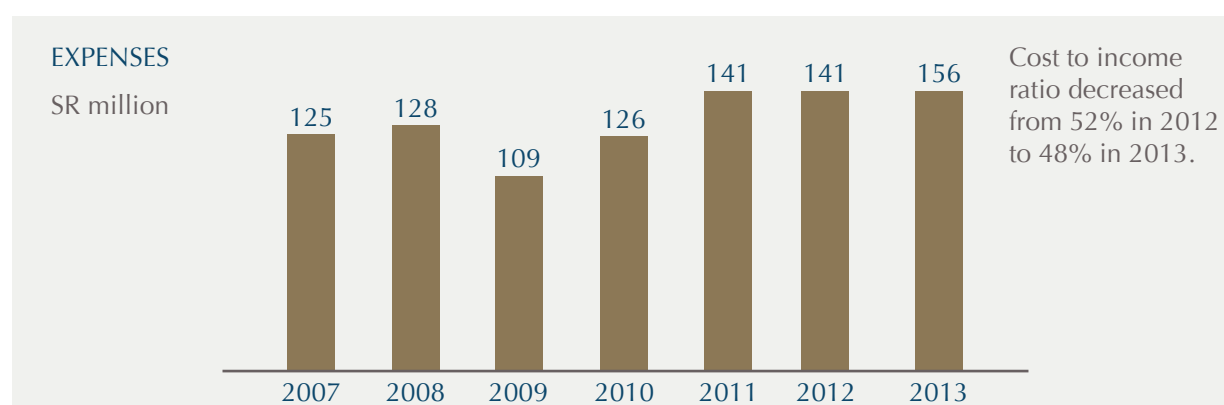
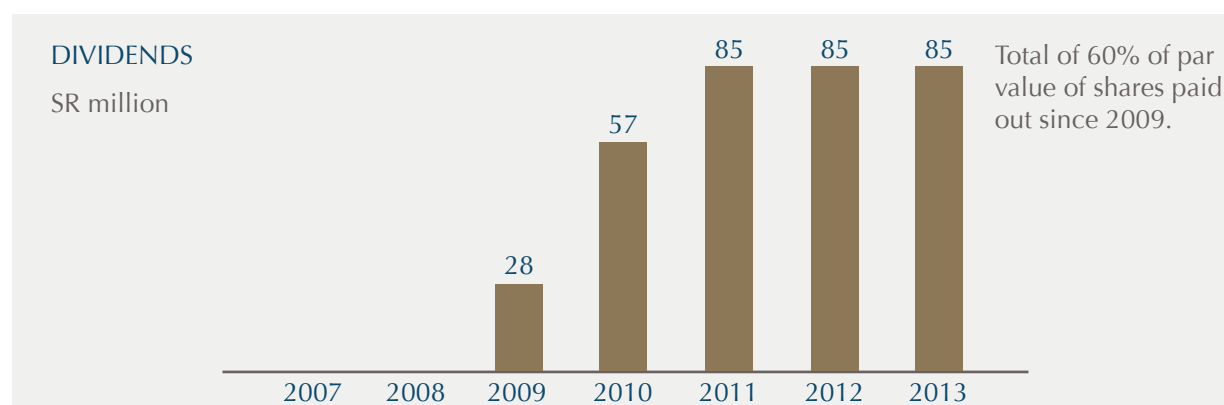
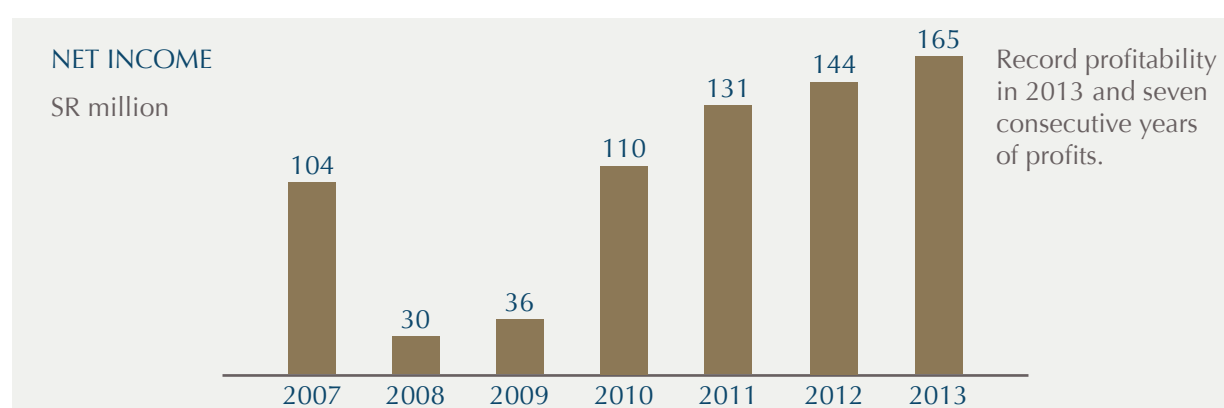
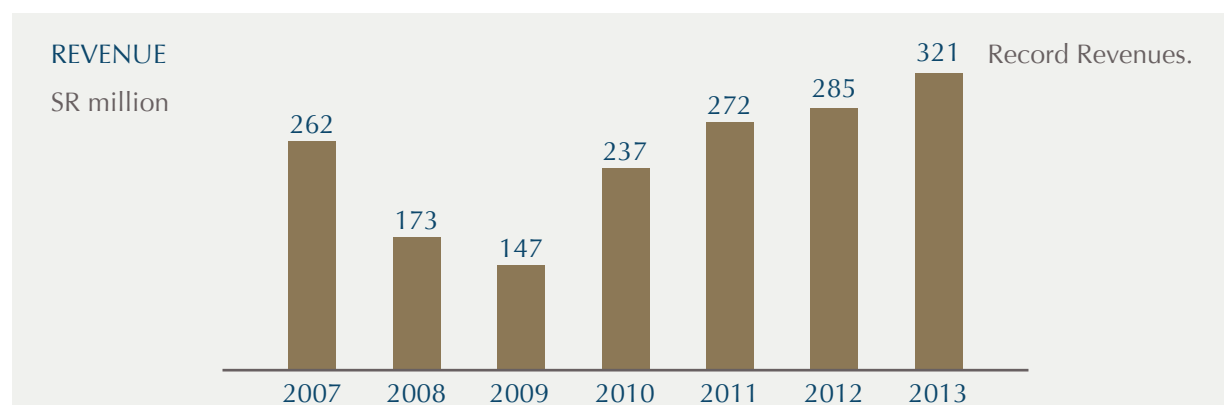
Performance & Company Overview

The Tanhat Park, (Northern Riyadh) – picture taken in February 2014

Located in the northern part of Riyadh, Tanhat Park is renowned for its abundance of Acacia & Calligonum trees, as well as fields of Lavender & Tulips. Once the first rain has revitalized the park, the entire area becomes vibrant and green covering the park in vitality. The park is considered one of the most beautiful and fertile parks not only in Riyadh but in the entire Arabian Peninsula.

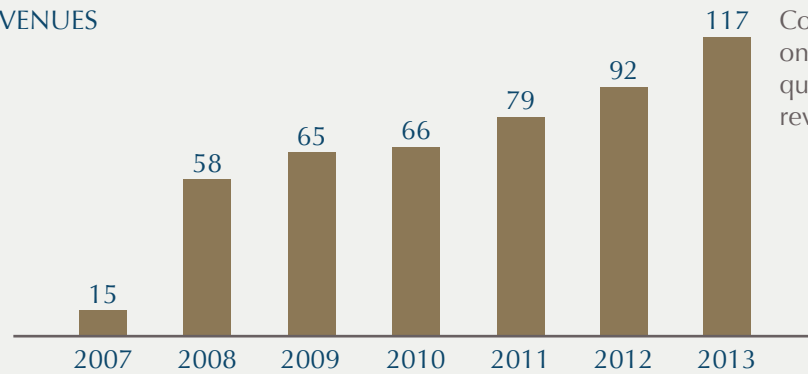


Overview of performance



ANNUITY REVENUES

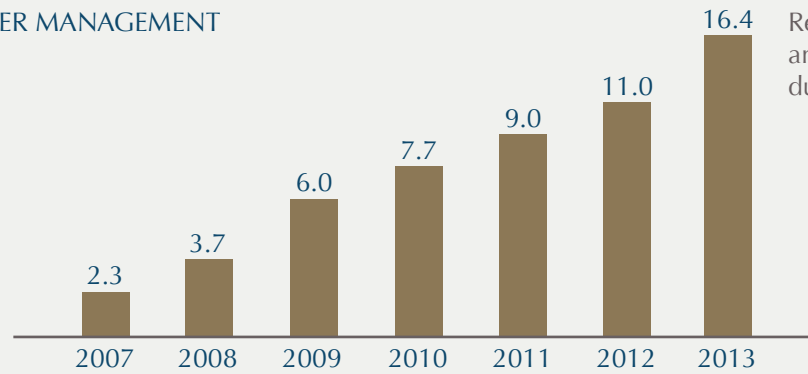
SR million



Continued focus on building high quality annuity revenue stream.

ASSETS UNDER MANAGEMENT

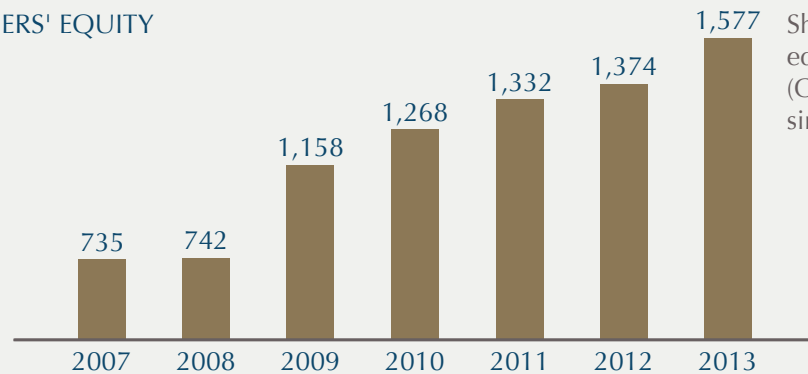
SR billion



Record fund raising, an increase of 48% during 2013.

SHAREHOLDERS' EQUITY

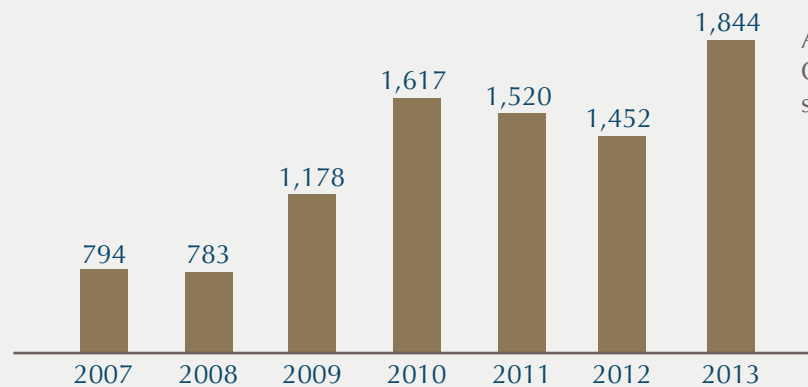
SR million



Shareholders' equity growth (CAGR) of 13.6% since 2007.

ASSETS

SR million



Asset growth CAGR of 15.1% 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

Having built a strong performance track record since 2007, Jadwa Investment's asset management business is starting to reap rewards, with assets under management (AUM) growing 48 percent in 2013 to over SR 16 billion by the end of the year.

Jadwa Investment's public equity strategies have consistently delivered alpha through the company's in-depth knowledge of regional markets and rigorous investment process.

The team of eight portfolio managers, supported by six research analysts, and three portfolio analysts, blend a bottom-up and top-down research-led investment approach. In 2013, the team carried out over 130 company visits and conference calls, helping to extend coverage to 98 percent of the Saudi market and 96 percent of the Gulf Cooperation Council (GCC) markets, by market capitalisation.

The company's flagship Saudi Equity Fund delivered a net total return of 167.65 percent from inception in 2007 to the end of 2013, far outperforming its peers and the S&P Saudi Shari'a Index, which gave a return of 65.97 percent over the same period. In 2013, the fund delivered a net total return of 47.13 percent outperforming the benchmark return of 28.76 percent.

The Jadwa GCC Equity Fund has also over-performed, providing a net total return of 129.62 percent from inception in 2007 to the end of 2013, compared to a 21.83 percent gain by the S&P GCC Composite Shari'a index. The 2013 net total return for the fund was 46.40 percent, compared to the benchmark return of 27.95 percent.

Since its inception in 2007, the Jadwa Arab Markets Equity Fund has provided a net total return of 111.78 percent, compared to a 20.72 percent return by the S&P Pan Arab

Shari'a Index. During 2013, the fund produced a net total return of 42.76 percent, versus the benchmark return of 26.58 percent.

Performance of Jadwa's public equity DPM strategies

Strategy	Net Total return in 2013	Benchmark performance in 2013
All Cap Diversified	42.13 %	28.76 %
Concentrated	53.43 %	28.76 %
Unconstrained	56.49 %	n/a
High Dividend Yield	43.93 %	n/a
Small Mid Cap	56.03 %	33.44 %

Note: The strategy returns are based on composites of portfolios managed under the similar mandate.

Real Estate

In response to strong demand for international real estate exposure among its clients, Jadwa Investment has developed a co-investment model along the same lines as its private equity business.

Following two prominent transactions the previous year – a residential development in Riyadh and development of South Bank Tower in central London – the Company focused in 2013 on effectively managing its real estate assets and sourcing new investment opportunities. This effort has included adding a specialist asset manager to the real estate team.

Since we launched our first products in 2007,
a client who invested in every Jadwa product
would have gained 95.5% through 2013

Jadwa Investment's strategy on real estate is to continue to identify attractive assets and to replenish existing and maturing funds.

Investment Banking

M&A activity is expected to rise in the Kingdom of Saudi Arabia and the wider region as national champions in major sectors emerge, and increasingly look to expand beyond their domestic markets.

Jadwa Investment has built a leading advisory business in the region, assembling a talented investment banking team with extensive international transactional experience and local market knowledge. The team has a track record of executing complex transactions, including share swaps, cross-border M&A for major blue-chip companies, and navigating regulations on related-party transactions.

In 2013, Jadwa Investment was the pre-eminent adviser on M&A transactions involving Saudi companies, closing five mandates with a combined value of SR 2.7 billion.

In the largest of these transactions, Jadwa Investment advised Saudi Printing and Packaging Company on its 100 percent acquisition of Emirates National Factory for Plastic Industries, a producer and distributor of plastic products based in Sharjah, United Arab Emirates. The deal, which was completed in January, is symptomatic of a trend in cross-border deals in the GCC region that is likely to gather pace in the coming years.

M&A advisory – 2013 transactions:

Target	Acquirer	Date
Emirates National Factory for Plastic industries	Saudi Printing and Packaging Company	January 2013
Savola Foods Company	The Savola Group	May 2013
Azizia Panda United Company	The Savola Group	May 2013
Pharmaceutical Chain 1	Pharmaceutical Chain 2	June 2013
Clariant Masterbatches Saudi Arabia	National Industrialization Company (TASNEE)	August 2013

Private equity

The private equity sector in Saudi Arabia continues to grow as an increasing number of companies look to institutionalise their corporate governance practices, and seek capital to fulfil their growth ambitions.

Jadwa Investment has steadily built up a private equity portfolio in the Kingdom of Saudi Arabia over the last seven years through a successful co-investment model. Individual assets are held in separate private placement funds, regulated by the Capital Market Authority, which are used as vehicles for investment by clients alongside the company's proprietary investment.

As at the end of 2013, Jadwa Investment had deployed over SR 3 billion of its own and its clients' capital across six portfolio companies. Cumulative revenues at the portfolio companies during the year amounted to over SR 10 billion.



95.5%
cumulative return for
entire product portfolio

The portfolio companies are active in some of the fastest growing sectors in Saudi Arabia, including healthcare, hospitality and entertainment , building materials, and fast-moving consumer goods.

The private equity team's focus has been on adding value to the portfolio companies by supporting them in the areas of corporate governance, growth strategy, corporate finance, business development, and preparations for public listing.

Private equity portfolio companies:

Portfolio company	Sector	Transaction completion date	Activity
Al Hammadi Company for Development and Investment	Healthcare	2012	Operates a 300-bed hospital with two other hospitals under development
Abdulmohsen Al Hokair Group for Tourism and Development Company	Hospitality and entertainment	2012	Operates a portfolio of 28 hotels, 47 entertainment parks, and 13 restaurants
Al Zamil Company for Industry, Trade & Transport	Building materials	2011	Leading water tank manufacturer in the GCC
United Matbouli Group	Consumer electronics	2010	Exclusive agent of Samsung in Saudi Arabia including all consumer electronics products
Gulf Union Foods Company	Food and beverage	2009	Leading manufacturer of juice products in the MENA region
Saudi Aramco Lubricating Oil Refining Company (Luberef)	Oil and lubricants	2007	Only base oil producer in the Kingdom of Saudi Arabia and a major supplier to lube oil producers

Proprietary Investment

Jadwa's Proprietary investment had a record contribution to Net income in 2013 with SR 181 million in realised revenues from the portfolio. We increased allocation to the Saudi stock market early in the year in anticipation of strong performance and added SR 100 million in leverage. This well-timed entry, coupled with strong equity market performance for the year, enabled our equity portfolio to contribute SR 144 million in realised gains and outperform its benchmark for the year.

The underlying assets in our private equity portfolio showed outstanding performance in 2013. Total cash dividends received during the year from our portfolio companies exceeded SR 37 million with a significant increase in fair value of the underlying assets. Our largest investment in Luberef continued its strong performance for the year and started a major expansion project which will further increase the value of the investment once completed.

Industry recognition for excellence



BEST REAL ESTATE DEAL
- KINGS REACH TOWER



EQUITY MANAGER
OF THE YEAR



SHARIAH FUND
OF THE YEAR



BEST ASSET MANAGER
PAN-MIDDLE EAST



THE BEST PRIVATE
EQUITY HOUSE
IN THE MIDDLE EAST



GCC EQUITY FUND
OF THE YEAR - 3 YEAR



BEST ASSET MANAGER
IN SAUDI ARABIA

Brokerage

Jadwa Investment's brokerage provides clients with a reliable execution platform for transactions in local and GCC equities and commodities markets. This allows clients to seize investment opportunities during up time. Costs were reduced during 2013 through various initiatives related to resource optimisation, including staff and office space. The brokerage department also modernised its e-trading system to offer more services to customers and provide them new channels to effectively manage their investments and trade online.

Private & Institutional Client Investments

2013 was one of the best years, in terms of fund raising for Jadwa, since its inception. SR 3.8 billion was raised in the form of additional AUM for discretionary portfolio mandates (DPMs). The growth in AUM came largely from the company's existing clients, with 26 new client mandates received during the year. As of the end of 2013, the company's asset management clients numbered over 210, with its investor profile balanced between institutional investors, corporates, high-net-worth individuals, family offices and government entities.

Research

The Research Department has strengthened its position as the leading source of macroeconomic research within the Kingdom of Saudi Arabia, producing over 70 leading research reports during 2013. The department pursues a clear strategy, focusing on the areas of highest relevance to clients, maintaining the highest content quality, and publishing all reports simultaneously in English and Arabic. Jadwa Investment attracted widespread attention in the market through its landmark report on the development of unconventional oil and gas production and its implications for the Kingdom of Saudi Arabia.

Regular presentations and media appearances by members of the research team continued to raise awareness of Jadwa Investment and to generate new business opportunities. Jadwa Investment's head of research made numerous high-level presentations to conferences, leading corporations and official bodies throughout the region. The company's mailing list for research has grown to over 2,600, with nearly 25,000 downloads of reports through the company website in 2013.

Operating Office

Several initiatives were implemented in 2013 across all functions related to the office of the Chief Operating Officer, aiming at greater efficiency and enablement of business lines. These included optimisation of operational processes and upgrading key systems to enable strategic business growth of asset management and investment banking. Costs have been kept under continuous supervision across all related functions to maximise the gains of existing platforms in the Information Technology, Investment Operations and Administration departments.

All initiatives and efficiency of operations implemented by the office in Asset Management and Investment Banking, led to creating an environment with high efficiency and reliability that have contributed to the growth in the company's business in 2013.

Investment Operations

The Investment Operations Department provides smooth and continued support across the business. The department handled all back office and administrative activities relating to 16 funds and to 65 discretionary portfolio accounts in 2013. This included performing an average of 320 weekly valuations of portfolios, in addition to serving brokerage clients and all other regulatory, MIS and financial reports,



7 awards

including for external audit purposes.

Human Resources

In 2013 the Human Resources Department continued to support the business by recruiting highly qualified and talented professionals, providing high-quality training and development in pivotal areas. This resulted in the accumulation of 1,350 learning hours shared among 44 employees - nearly half of the total - from various departments. A talent management programme was established to develop appropriate individuals to assume leadership roles in the future. Succession planning has also been initiated and is currently being developed.

Information Technology

The Information Technology Department implemented a major system upgrade on the portfolio management system to support increased business and operational activities related to asset management at optimal cost. A new client relationship management (CRM) system was also introduced to support the fast-growing business, enabling the sales team to provide better service. The Information Technology team has closely monitored regulatory compliance, system controls and information security to ensure the highest standards. The department has achieved high rates of system up time, and reliability of support. Leading solutions have been implemented to manage key business processes, including for the automation of board meetings and for the management of resource allocation on projects.

Administration

The Administration Department plays a vital role in supporting the company's business and keeping the general logistical organisation functioning at high quality levels. In 2013, the Administration Department recorded a growth in the quantity of services provided and higher levels of efficiency in managing technical and human resources matters. These include logistical support and

events management, meetings and workshops held by the company's various departments within and outside the KSA, and providing travel and government-related services to all staff. The department also worked on raising the efficiency of internal transactions and procedures by continuing to provide its services electronically. It has reorganised the company's office restructure to save on rental costs and to optimise the utilisation of space. The company is implementing further measures to improve administrative services, inventory management and logistics, in addition to providing security services and implementing further measures to improve administrative services, inventory management and logistics.

Corporate Communications

In 2013, Corporate Communications continued its efforts to strengthen the company brand and to enable great success in positioning the company among the leading investment houses in the region. Activities pursued in different arenas, including media coverage of company events and achievements, played a key role in events management, and sponsored various investment conferences. The department has managed greater exposure to regional media and extended the cooperation with media to conduct interviews on different market and economic events.

Shari'a Group

In 2013, the Shari'a Group has effectively continued supporting the business lines in the area of Shari'a consultation, as well as auditing all Jadwa's activities to assure their compliance with Shari'a resolutions. It reviewed a number of contracts, agreements, projects and funds, and played an essential role in structuring new products to meet Shari'a guidelines. It issued a number of publications focusing on financial dealings, and represented Jadwa by participating in Islamic banking related conferences and workshops. A workshop for new employees was conducted

7 Years of continuous success

to explain the most important rules in Islamic banking. The Shari'a Group has obtained the Annual Shari'a Board Statement that indicates the compliance of the company with our Shari'a guidelines and resolutions.

Legal Department

The Legal Department provided legal consultations, solutions and structures to complex business transactions. It took a proactive approach in delivering legal support to business projects to protect the company from any external and legal risk. It has been consistent in delivering legal advice to all business and support departments.

Compliance and Anti-Money Laundering Unit

In 2013, the Compliance and Anti-Money Laundering Unit promptly submitted regulatory reports to the Capital Markets Authority (CMA) and responded to its queries and requests. It also implemented corrective actions on the CMA's findings during an inspection visit that occurred in June 2013. The unit continues to build awareness among all employees on adherence to business regulations.

Corporate Secretary Office

The Office of the Corporate Secretary ensured that the Board of Directors had the proper advice and resources to fulfil its duties to shareholders according to applicable laws. It has been promoting good corporate governance and it involved board members to business decisions. Over the course of 2013, it has organised the 5th Annual General Assembly and quarterly board meetings, followed-up Board Action Items, and circulated minutes of meetings and board resolutions.

Risk management

During 2013, the Risk Management Department updated the risk profiles of key departments and key risks at organisational level. The team continued to assist on the

reporting of regulatory guidelines and ICAAP (Internal Capital Adequacy Assessment Process) preparation for submission to the regulator by the end of the first quarter of 2014. The Risk Unit worked with all business units to identify risks and implemented mitigation plans for all new products and transactions, helping to optimise the risk-reward profile of the company. The department began to update risk management policies and procedures to ensure organisational objectives are met, and to identify and analyse all risks, setting appropriate risk limits, controls, and the tools to monitor the risks. For the third year, Jadwa Investment's risk and control environment withstood the rigorous evaluation by Moody's for securing an MQ2 rating for asset management.

Finance

During 2013, the Finance Department secured all financing needs for the execution of Jadwa's strategy. The department extended its services to portfolio companies and secured SR 792 million in financing facilities in addition to other value-added services. The Finance Department achieved all of its key performance indicators with continued timely delivery of high-quality and reliable financial reports.



Shariah Supervisory Board Annual Statement

Rawdat Khuraim (Northern Riyadh) – picture taken in February 2014

Rawdat Khuraim is a beautiful spring getaway because of its geographic location and beautiful landscape. It is full of amazing plants and trees that attract many visitors annually to enjoy the scenery. It has the 17th hunting reserve in the Kingdom, which the Custodian of the Two Holy Mosques King Abdullah bin Abdul Aziz opened in the summer of 2005.



Shariah Board:

The Shariah Board is comprised of the following scholars:

Sheikh Dr. Abdulla Al Mutlaq (Chairman of the Board)

Member of the Senior Ulama Board, Consultant for the Saudi Royal Diwan, former Chairman of the comparative Fiqh, Imam Mohammed Bin Saud Islamic University and a member of Shariah Board in a number of financial institutions in the Kingdom.

Sheikh Dr. Muhammad Ali Elgari (Member of the Board)

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 Abdulaziz Al-Omar (Member of the Board)

Head of the Shariah group at Jadwa Investment, and a Shariah board member.

Sheikh Ahmad Abdulrahman Al-Gaidy (Secretary of the Board)

Head of Shariah research, and secretary of the Shariah board.

Shariah Supervisory Board Annual Statement for the Year 2013

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 2013)

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 annual Shariah audit report, which confirms the company's commitment to Shariah resolutions, and the annual financial statement for the company for the year 2013, the Shariah board is of the opinion that:

1. All contracts and agreements that Jadwa has entered into during the year 2013, 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

Ahmad Abdulrahman Algaidy

Secretary

شركة مساهمة سعودية مقفلة، مريضة من قبل هيئة السوق المالية، رأس المال 568,490,000 ريال سعودي مدفوع بالكامل
الإدارة العامة: هاتف 11 279-1111 فاكس 11 279-1571 +966 ص.ب. 60677، الرياض 11555، المملكة العربية السعودية
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Head Office: Phone +966 11 279-1111 Fax +966 11 279-1571 P.O. Box 60677, Riyadh 11555, Saudi Arabia

Corporate Governance

Rawdat Khuraim (Northern Riyadh) – picture taken in February 2014

It is located in Riyadh under the governorate of Rumah, east of Al Ghaylanah. It is known for its beautiful landscape and weather in spring time. The place is like a green oasis in the middle of the desert, in addition to its pleasing weather at this time of year. "Khuraim" is named after Naqa Khuraim that is located in the south eastern part of Rawdat Khuraim.



Corporate Governance

Jadwa Investment has adopted Corporate Governance practices in line with international standards, and in accordance with related rules and regulations issued by the authorities in the Kingdom of Saudi Arabia. Jadwa has fulfilled and complied with these 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	Committed	Semi-committed	Non-committed	Elaboration
1	Formation of the Board of Directors to include independent members.	✓			
2.	Issue of the Annual Report which 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 in which a Board Member is also 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 their functions, names of the chairmen 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 the highest remuneration in addition to 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 the 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 for the staff.	✓			
4.4	Form the supervisory committees.	✓			

Board of Directors' membership in other companies

	Name	Members' Classifications	Membership in other companies
1	Mr. Adib Alzamil	<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 • Methanol Chemical Company (Chemanol) - Board Member • Fajr Capital - Chairman of the Board of Directors
2	Tan Sri Dato' Azman Mokhtar	<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 • Yayasan Khazanah, Kuala Lumpur, Malaysia - Trustee • Khazanah Nasional Berhad - Director • PEMANDU Corporation - Trustee/Director
3	Mr. Howard Marks	<ul style="list-style-type: none"> • independent • Non-Executive 	<ul style="list-style-type: none"> • Oaktree Capital Management, L.P., USA - Chairman • Ralph Rucci, LLC - Director
4	Mr. Iqbal Khan	<ul style="list-style-type: none"> • independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital, UAE - Board Member, Chief Executive Officer • Bank Islam Brunei Darussalam, Brunei - Board Member, Member of Executive Committee • MENA Infrastructure Fund - Board Member • Tamar Energy - Board Member of the Advisory Board
5	Mr. Abdulrahman Alrowaita	<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 • Amlak International Co. - Board Member • Alessa Industries Co. - Board Member
6	Mr. Abdulaziz Alsubaei	<ul style="list-style-type: none"> • Non-independent • Non-Executive 	<ul style="list-style-type: none"> • Farabi Petrochemical Co. Limited - Board Member • Fajr Capital - Board Member, Member of Investment Committee and HR, Compensation & Nomination Committee • Mohammed Al-Subaei & Sons Investment CO. (MASIC) - Board Member, Member of the Executive Committee • Bank Islam Brunei Dar-ul-Islam (BIBD) - Board Member, Member of HR & Nomination Committee • The Chamber of Commerce, Riyadh - Member of Endowment Committee and Member of Committee for Securities and Exchange • Social Responsibility Board of Companies in Riyadh - Board Member
7	Mr. Michael Powell	<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 • Fajr Capital - Board Member, Member of Executive Committee • Exogenesis Corporation, USA - Board Member • Erudine Financial Ltd, UK. - Director • Passport Systems Inc., USA - Director
8	Mr. Ahmed Al-Khateeb	<ul style="list-style-type: none"> • Non-independent • Executive 	<ul style="list-style-type: none"> • Tadawul - Board Member, Chairman of Risk Committee • Saudi Aramco Base Oil Company (Luberef) - Board Member, Chairman of Audit Committee, Member of Compensation Committee, • Abdulmohsen Al-Hokair Group for Tourism and Development Company - Board Member • Saudi Research & Marketing Group - Board Member • The Saudi Aramco Entrepreneurship Center (Wa'ed) - Board Member • Prince Salman Center for Disability Research - Member of Investment Committee

Board of Directors Remuneration for the year 2013

	Name	Annual Remuneration	Allowances	Total
1	Mr. Adib Al-Zamil	200,000	52,000	252,000
2	Tan Sri Dato' Azman Mokhtar	200,000	52,000	252,000
3	Mr. Howard Marks	200,000	32,000	232,000
4	Mr. Iqbal Khan	200,000	37,000	237,000
5	Mr. Abdulrahman Al-Rowaita	200,000	52,000	252,000
6	Mr. Abdulaziz Al-Subeaei	200,000	54,500	254,500
7	Mr. Michael Powell	200,000	42,000	242,000
8	Mr. Ahmed Al-Khateeb		47,000	47,000
	Totals	1,400,000	368,500	1,768,500

Board of Directors' Committees

EXECUTIVE COMMITTEE			Members' Classifications
1	Mr. Iqbal Khan	Chairman	independent board member, non-executive
2	Mr. Abdulaziz Alsubeaei	Member	Non-independent board member, non-executive
3	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
4	Mr. Ahmad Farouk	Member	independent external member, non-executive
5	Mr. Rashad Pablo Jr.	Secretary	

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. Members of the Executive Committee are solely responsible to the Board. The committee assists them in handling issues which might be overlooked and to ensure good monitoring systems within the company. It keeps under review the adequacy of reporting arrangements and the effectiveness of internal controls and risk management. It conducted five meetings during the year 2013.

INVESTMENT COMMITTEE			Members' Classifications
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	Ms. Sarah Al-Suhaimi	Member	Executive
5	Mr. Tharwat Amer	Member	Executive
6	Mr. Tariq Al-Sudairy	Member	Executive
7	Mr. Jerry Todd	Member	Executive
8	Mr. Rashad Pablo Jr	Secretary	

The Investment Committee was formed to ensure that the investment of Jadwa's capital is conducted in accordance with the Proprietary Investment Programme and to monitor the overall investment performance, recommending changes as appropriate. It is chaired by a non-executive member of the Board of Directors, and conducted seven meetings in 2013.

AUDIT & RISK COMMITTEE			Members' Classifications
1	Mr. Abdulrahman Alrowaita	Chairperson	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 Alshedi	Secretary	Executive

The Audit & Risk Committee reviews the company's financial reporting processes to ensure accuracy and sufficient disclosure. It is chaired by a non-executive member of the Board of Directors. It ensures that the company has suitable, efficient internal control systems and an internal audit by making a review jointly with the external and internal auditors. It conducted four meetings in 2013.

NOMINATION AND REMUNERATION COMMITTEE			Members' Classifications
1	Ms. Ann Almeida	Chairperson	independent external member, non-executive
2	Mr. Abdulaziz Alsubaei	Member	Non-independent board member, non-executive
3	Mr. Ahmed Al-Khateeb	Member	Non-independent board member, executive
4	Mr. Rashad Pablo Jr.	Secretary	

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 and helps identify areas for improvement in human resource policies on employment, benefits and compensation. It conducted four meetings in 2013.

COMPLIANCE COMMITTEE			Members' Classifications
1	Mr. Abdulaziz Alsubaei	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. Ali Al-Segayh	Member	Executive
5	Mr. Rami Alshedi	Member	Executive
6	Mr. Naif Abuhaimeid	Secretary	Executive

The Compliance Committee was formed to minimise legal or regulatory risks and to demonstrate the company's commitment to all laws and regulations, and to maintain the highest ethical standards. It is chaired by a nonexecutive member of the Board of Directors. Policy statements and guidance are issued with respect to legal and ethical requirements related to business activities. It conducted four meetings during 2013.

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

The Internal Audit Department is a confirming, consulting and independent function responsible for evaluating the adequacy and effectiveness of the company's internal controls, including risk management and corporate governance processes. The internal audit manager submits quarterly reports to the Audit & Risk Committee and the Chief Executive Officer on progress and observations related to the department's activities.

During 2013, the department adopted a risk-based approach where the results of the enterprise risk assessment were utilized to assess the effectiveness and deployment of key controls at eight of the company's 14 departments. Internal Audit also performed a follow-up review to close all open findings relating to six departments. The department was assisted by auditors Grant Thornton.

Financial Statements and Independent Auditor's Report

Rawdat Khuraim (Northern Riyadh) – picture was taken in March 2013

The types of wild plants are estimated to be approximately 132 types. Sanctuary plants grow in Rawdat Khuraim, among which are the following: Alder Buckthorn, Calligonum, Salam, Acacia, and Apple of Sodom





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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, 2013, 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 generally accepted auditing standards 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, 2013, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards 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. Makhdoum
License No. 358
Rabi Al Thani 4, 1435H
February 4, 2014

Balance Sheet as at December 31st, 2013

	Notes	2013	2012
ASSETS		SR	
Current assets			
Cash and cash equivalents	3	62,413,159	56,242,443
Accounts receivable, net	4	29,548,466	24,102,814
Held for trading investments	5	88,338,237	-
Due from related parties	6	54,428,239	20,680,997
Prepaid expenses and other assets, net	7	45,738,803	7,795,954
Total current assets		280,466,904	108,822,208
Non-current assets			
Available for sale investments	8	1,343,236,633	1,135,223,003
Property and equipment, net	9	4,980,898	4,214,722
Investment in an associate	10	215,625,896	203,464,742
Total non-current assets		1,563,843,427	1,342,902,467
TOTAL ASSETS		1,844,310,331	1,451,724,675
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to bank	11	179,997,300	-
Accounts payable		8,615,250	8,615,250
Deferred revenues		2,500,000	2,500,000
Accrued expenses and other liabilities	12	57,337,444	49,213,807
Zakat and income tax provision	13	7,794,402	7,925,996
Total current liabilities		256,244,396	68,255,053
Non-current liabilities			
End-of-service indemnities		10,305,700	9,008,998
TOTAL LIABILITIES		266,550,096	77,264,051
Shareholders' equity			
Share capital	14 ,1	568,490,000	568,490,000
Statutory reserve	15	290,967,929	290,967,929
Change in fair value of investments	10 ,7	295,267,705	164,915,655
Retained earnings		423,034,601	350,087,040
Total shareholders' equity		1,577,760,235	1,374,460,624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,844,310,331	1,451,724,675

Statement of Income for the year ended December 31st, 2013

	Notes	2013	2012
Revenues			SR
Asset management		110,570,498	91,105,553
Investment banking		24,482,579	77,091,257
Brokerage		5,532,877	4,812,863
Income from proprietary investments, net	16	168,499,308	89,127,133
Share in income of an associate	10	12,161,154	22,495,792
Total revenues		321,246,416	284,632,598
Expenses			
Salaries and other benefits		(100,549,170)	(96,108,764)
Depreciation	9	(2,105,699)	(2,012,947)
Rent expenses		(4,226,850)	(3,931,784)
Commission on short-term loan		(4,601,415)	(8,714,559)
Impairment on investments	8	(15,000,000)	-
Other general and administrative expenses	17	(29,314,159)	(29,850,057)
Total expenses		(155,797,293)	(140,618,111)
NET INCOME		165,449,123	144,014,487
Earnings per share:	18		
Income from operations		2,91	2,53
Net income		2,91	2,53

Statement of Cash Flows for the year ended December 31st, 2013

	2013	2012
OPERATING ACTIVITIES	SR	
Net income	165,449,123	44,014,487
Adjustments for:		
Share in income of an associate	(12,161,154)	(22,495,792)
Depreciation	2,105,699	2,012,947
End-of-service indemnities	3,121,795	2,358,275
Provision for doubtful debts	1,137,366	379,000
Realized gains on sale of available for sale investments	(130,993,703)	(50,509,500)
Unrealized gains on held for trading investments	(1,089,048)	-
Realized gains on sale of held for trading investments	-	(45,709)
Impairment on investments	15,000,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(6,583,018)	6,529,777
Due from related parties	(33,747,242)	-
Prepaid expenses and other assets	(37,942,849)	(1,888,712)
Accounts payable	-	8,615,250
Deferred revenues	-	2,500,000
Accrued expenses and other liabilities	8,123,637	7,073,776
Cash (used in)/ generated from operations	(27,579,394)	98,543,799
End-of-service indemnities paid	(1,825,093)	(690,787)
Zakat and income tax paid	(7,359,656)	(4,912,525)
Net cash (used in)/ from operating activities	(36,764,143)	92,940,487
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,871,875)	(1,542,403)
Additions to available for sale investments	(264,681,780)	(1,284,964,661)
Proceeds from sale of available for sale investments	303,013,903	1,313,545,266
Additions to held for trading investments	(87,249,189)	-
Proceeds from sale of held for trading investments	-	140,045,709
Net cash (used in)/ from investing activities	(51,788,941)	167,083,911
FINANCING ACTIVITIES		
Proceeds from bank facilities	182,946,050	499,992,500
Repayment of bank facilities	(2,948,750)	(629,989,900)
Dividends paid	(85,273,500)	(88,273,500)
Net cash from/ (used in) financing activities	94,723,800	(218,270,900)
Net change in cash and cash equivalents	6,170,716	41,753,498
Cash and cash equivalents, beginning of year	56,242,443	14,488,945
Cash and cash equivalents, end of year	62,413,159	56,242,443
Non-cash items:		
Change in fair value of available for sale investments	261,748,029	34,641,300
Fair value of available for sale investments transferred to statement of income	(116,395,979)	(43,218,498)

Statement of changes in Shareholders' Equity for the year ended December 31st, 2013

	Share capital	Statutory reserve	Change in fair value of investments	Retained earnings	Total
	SR				
January 1, 2012	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	-	-	34,641,300	-	34,641,300
Fair value of available for sale investments transferred to statement of income	-	-	(43,218,498)	-	(43,218,498)
Net income	-	-	-	144,014,487	144,014,487
Dividends (Note 19)	-	-	-	(85,273,500)	(85,273,500)
Zakat and income tax provision (Note 13)	-	-	-	(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
Impairment of investment recognised in statement of income	-	-	(15,000,000)	-	(15,000,000)
Change in fair value of available for sale investments	-	-	261,748,029	-	261,748,029
Fair value of available for sale investments transferred to statement of income	-	-	(116,395,979)	-	(116,395,979)
Net income	-	-	-	165,449,123	165,449,123
Dividends (Note 19)	-	-	-	(85,273,500)	(85,273,500)
Zakat and income tax provision (Note 13)	-	-	-	(7,228,062)	(7,228,062)
December 31, 2013	568,490,000	290,967,929	295,267,705	423,034,601	1,577,760,235

Notes to the Financial Statements for the year ended December 31st, 2013

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: Investments which are classified as "available-for-sale" are initially recognised at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted securities whose fair value cannot be reliably measured are carried at cost. Unrealised gains or losses arising from changes in fair value are recognised in shareholders' equity until the investment is de-recognised or impaired whereupon any cumulative gain or loss previously recognized in shareholders' equity are reclassified to statement of income.

Held for trading investments: Held for trading investments are recorded at fair value. Changes in the fair value are recognised in the statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVIS investments.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia 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 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 associates: 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 improvement 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

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

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

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.

Clients' cash accounts: The Company holds cash in clients' cash accounts with Banque Saudi Fransi to be used for investments on their behalf. Such balances are not included in the Company's 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's Saudi shareholders are subject to Zakat in accordance with the Regulations of the Department of Zakat and Income Tax as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of Zakat arising there from is provided by a charge to Saudi shareholders' equity.

The Company's foreign shareholders are subject to income tax in accordance with Regulations of Zakat and Income Tax as applicable in the Kingdom of Saudi Arabia. Income tax is computed on adjusted net income. An estimate of income tax arising there from is provided by a charge to foreign shareholders' equity.

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:

	2013	2012
	SR	
Bank current accounts (Note 6)	31,413,159	14,917,744
Murabaha contracts	31,000,000	41,324,699
	62,413,159	56,242,443

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 0.35% per annum (December 31, 2012: 0.20% 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:

	2013	2012
	SR	
Accounts receivable	34,883,643	28,300,625
Provision for doubtful receivables	(5,335,177)	(4,197,811)
	29,548,466	24,102,814

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

	2013	2012
	SR	
Opening balance	4,197,811	3,818,811
Provision made during the year (Note 17)	1,137,366	379,000
Closing balance	5,335,177	4,197,811

5. HELD FOR TRADING INVESTMENTS

The cost and fair value of held for trading investments as at December 31, are as follows:

	SR			
Open-ended Saudi Equity Fund	Initial cost	Change in fair value	Fair value 2013	Fair value 2012
	87,249,189	1,089,048	88,338,237	-

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

6. 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:

	2013	2012
	SR	
Discretionary cash portfolio held by asset management		
- included in cash and cash equivalents (Note 3)	9,086,297	481,802
Held for trading investment in a managed Saudi Equity Fund (Note 5)	88,338,237	-
Available for sale investments in managed funds (Note 8)	828,523,768	893,440,874
Due from related parties:		
- Asset management fees receivable from managed funds	47,561,477	14,130,780
- Other receivables from managed funds	6,866,762	6,550,217
	54,428,239	20,680,997

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

	2013	2012
	SR	
Asset management fees include:		
- fees from managed funds	52,569,039	39,999,895
- fees from managing private DPMs	392,767	263,387
Investment banking income from partners in an associate and other related parties	-	7,537,000
Dividends from managed funds	23,830,221	23,926,700
Board of Directors' related expenses (Note 17)	1,200,000	3,772,917
Service fees charged to associate	1,500,000	1,500,000

7. PREPAID EXPENSES AND OTHER ASSETS, NET

	2013	2012
	SR	
Deposit receivable (7.1)	37,508,000	-
Advance income tax	1,839,543	1,860,573
Loans to employees	1,829,635	1,461,082
Prepaid rent	1,290,486	1,208,238
Advances to employees	1,113,248	899,367
Prepaid software maintenance	996,028	1,628,858
Loan to ex-employee (7.2)	890,000	890,000
Prepaid insurance	716,863	292,836
	46,183,803	8,240,954
Provision for doubtful loan to ex-employee	(445,000)	(445,000)
	45,738,803	7,795,954

7.2 During 2013, the Company paid SAR 37,508,000 in order to secure a minority stake in a real estate project in Turkey. Subsequent to the balance sheet date, the Company has decided not to proceed with the acquisition and is in the process of recalling the deposit. The amount paid is fully secured against the bank guarantees issued by the Albaraka Turk Katilim Bankasi A.S. in favour of the Company.

7.2 Represents loan amount receivable from an ex-employee against whom a legal suit has been filed in court in 2008. The legal advisor of the Company has opined that the case will be settled in the favor of the Company.

8. AVAILABLE FOR SALE INVESTMENTS

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

	Initial cost	Change in fair value	Impairment recognized in statement of income	Fair value 2013	Fair value 2012
SR					
Open-ended funds	42,550,811	177,249	-	42,728,060	78,769,604
Closed-ended funds	776,853,643	139,424,392	(15,000,000)	901,278,035	814,671,270
Equity shares	400,876,703	(1,646,165)	-	399,230,538	241,782,129
	1,220,281,157	137,955,476	(15,000,000)	1,343,236,633	1,135,223,003

The change in fair value of available for sale investments amounting to SR 137,955,476 is included under shareholders' equity as at December 31, 2013 (December 31, 2012: SR 7,603,426).

The following is the movement of cost and fair value of available for sale investments:

	Initial cost 2013	Fair value 2013	Initial cost 2012	Fair value 2012
SR				
Beginning balance for the year	1,127,619,577	1,135,223,003	1,113,972,152	1,130,152,776
Additions	1,115,058,832	1,361,806,861	912,602,696	947,243,996
Disposals	(1,022,397,252)	(1,138,793,231)	(898,955,271)	(942,173,769)
Impairment charge to statement of income	-	(15,000,000)	-	-
Ending balance for the year	1,220,281,157	(1,343,236,633)	1,127,619,577	1,135,223,003

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

9. PROPERTY AND EQUIPMENT, NET

	Computer hardware	Computer software	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
SR								
Cost								
January 1, 2013	16,132,349	12,613,090	4,849,433	4,715,259	78,970	7,842,667	988,320	47,220,088
Additions	1,330,186	127,122	354,548	70,832	317,000	672,187	-	2,871,875
Transfers	-	-	-	-	-	988,320	(988,320)	-
Disposals	(89,450)	-	(307,367)	-	-	-	-	(396,817)
December 31, 2013	17,373,085	12,740,212	4,896,614	4,786,091	395,970	9,503,174	-	49,695,146
Accumulated depreciation								
January 1, 2013	15,407,189	12,285,422	4,623,112	4,611,203	78,970	5,999,470	-	43,005,366
Charges for the year	264,947	334,241	126,619	48,268	45,833	1,285,791	-	2,105,699
Disposals	(89,450)	-	(307,367)	-	-	-	-	(396,817)
December 31, 2013	15,582,686	12,619,663	4,442,364	4,659,471	124,803	7,285,261	-	44,714,248
Net book value								
December 31, 2013	1,790,399	120,549	454,250	126,620	271,167	2,217,913	-	4,980,898
December 31, 2012	725,160	327,668	226,321	104,056	-	1,843,197	988,320	4,214,722

10. INVESTMENT IN AN ASSOCIATE

The Company participated in the setting up of Jadwa Industrial Investment Company (the associate). The Company's share is 30% of the associate's total equity capital of SAR 500,000. The associate is accounted for under the equity method. The Company initially paid an amount of SAR 150,000, representing 30% of the issued share capital of the associate.

The following is the movement of investment:

	2013	2012
SR		
Beginning balance for the year	46,152,513	23,656,721
Share in income for the year	12,161,154	22,495,792
	58,313,667	46,152,513
Share in unrealized gain on revaluation of available for sale investment	157,312,229	157,312,229
Ending balance for the year	215,625,896	203,464,742

As at December 31, 2013, the share in unrealized gain on revaluation of available for sale investment of the associate is SR 157,312,229 and is included under shareholders' equity (December 31, 2012: SR 157,312,229).

11. DUE TO BANK

During 2012, the Company obtained facilities in the form of Islamic Murabaha from a local commercial bank for a total amount of SR 700 million divided into SR 200 for revolving facility and SR 500 million for short-term loan. As at December 31, 2013 an amount of SR 180 million was utilized (2012: Nil). This facility is secured by a promissory note and subject to a commission rate of 3.37 % (2012: 3.16% to 3.98%) as specified in the agreement. The facilities arrangements include certain covenants, which the Company was in compliance with as at December 31, 2013.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2013	2012
	SR	
Accrued employees' salaries and related benefits	53,611,021	48,519,706
Accrued commission on short-term loan	1,652,665	-
Payable to suppliers	1,573,758	194,101
Provisions and other liabilities	500,000	500,000
	57,337,444	49,213,807

13. ZAKAT AND INCOME TAX

The principal elements of the Zakat base are as follows:

	2013	2012
	SR	
Share capital	568,490,000	568,490,000
Statutory reserve	290,967,929	290,967,929
Retained earnings	264,813,540	213,361,515
Investments	(1,209,657,350)	(955,296,978)
Property and equipment	(26,204,379)	(26,818,535)
Provisions	14,151,809	12,105,321
Adjusted net income	170,072,064	117,076,553
Zakat base	72,633,613	219,885,805

Zakat:

	2013	2012
	SR	
Portion of the Saudi shareholders' adjusted net income/zakat base, whichever is higher (2013: 90%, 2012: 90%)	153,064,858	197,897,225
Zakat for the year (2.5%)	3,826,621	4,947,431

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

Income tax:

	2013	2012
	SR	
Portion of adjusted net income for non-Saudi shareholders (2013: 10%, 2012: 10%)	17,007,206	11,707,655
Income tax for the year (20%)	3,401,441	2,341,531

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

	2013	2012
	SR	
Beginning of year	7,925,996	5,549,559
Provision for the year	7,228,062	7,288,962
Payment during the year	(7,359,656)	(4,912,525)
Total zakat and income tax	7,794,402	7,925,996

The Company has filed its Zakat returns for the years up to and including the financial year 2012 with the Department of Zakat and Income Tax (the "DZIT"). The Company has received zakat assessments for 2007 raising an additional zakat liability. The basis for this additional liability is formally contested by the Company and is awaiting a response from DZIT. The management believes that the ultimate outcome of the appeals filed and actions taken by the Company in conjunction with other entities in the Kingdom of Saudi Arabia cannot be determined reliably at this stage and consequently no provision was booked for such additional zakat liability as at December 31, 2013.

14. 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 reserves.

In their meeting held on 4 Safar 1435H (corresponding to December 7, 2013), the Board of Directors recommended that the share capital be increased from SR 568,490,000 to SR 852,735,000 by issuing 28,424,500 bonus shares with a nominal value of SR 10 each through appropriation from the retained earnings. Such new bonus shares will be issued to and distributed among the shareholders in the proportion of one new bonus share for every two shares owned in the Company. The Board of Directors in their meeting authorized the Chairman to call for an Extraordinary General Assembly meeting to approve the bonus issue and amend the relevant provisions of the Company's Bylaws accordingly. As at December 31, 2013, the issuance of bonus shares is subject to the approval of the Extraordinary General Assembly.

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. INCOME FROM PROPRIETARY INVESTMENTS, NET

	2013	2012
	SR	
Realized gains on sale of available for sale investments, net	130,993,703	50,509,500
Dividend income	36,414,303	38,565,057
(Unrealized gains on held for trading investments (Note 5	1,089,048	-
Realized gains on held for trading investments, net	-	45,709
Commission income	2,254	6,867
	168,499,308	89,127,133

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
	SR	
Subscription fees	4,570,348	3,497,034
Professional and consulting fees	4,457,566	5,396,495
Traveling expenses	4,213,708	2,409,238
Maintenance	3,049,386	3,414,116
Contractual labor	2,662,310	2,508,444
Telecommunication	1,550,262	1,350,633
(Board of Directors' related expenses (Note 6	1,200,000	3,772,917
(Provision for doubtful debts (Note 4	1,137,366	379,000
Advertisement	778,935	663,166
Printing	660,205	640,767
Meeting expenses	552,718	535,642
Conference expenses	458,829	626,135
Utilities	455,541	421,357
Insurance	422,279	253,328
Withholding taxes	374,408	705,163
Security expenses	186,911	144,000
Others	2,583,387	3,132,622
	29,314,159	29,850,057

18. EARNINGS PER SHARE

Earnings per share from operations for the year is calculated by dividing the income from operations for the year by the weighted average number of shares for the year ended December 31, 2013 and 2012 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, 2013 and 2012 and amounting to 56.849 million shares.

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

19. DIVIDENDS

During 2012, the shareholders in their Annual General Assembly meeting held on Rabi al-Awwal 14, 1433H (corresponding to February 2, 2012) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings @ SR 1.50 per share, which was paid along with unpaid dividend of 2011 amounting to SR 3,000,000 during the year ended December 31, 2012.

During 2013, the shareholders in their Annual General Assembly meeting held on Jumad Awwal 15, 1434 (corresponding to March 27, 2013) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1.50 per share.

In their meeting held on 4 Safar 1435H (corresponding to December 7, 2013) the Board of Directors proposed the distribution of dividends amounting to SR 85.273 million from the retained earnings of 2013 at SR 1.50 per share. As at December 31, 2013, the proposed dividend is subject to the approval of the Annual General Assembly.

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, including investments in an associate 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, 2013	Investment banking services	Brokerage	Asset management services	Corporate	Total
SR					
Revenue	24,482,579	5,532,877	110,570,498	180,660,462	321,246,416
Expenses	(28,110,580)	(3,790,078)	(38,508,168)	(85,388,467)	(155,797,293)
Income from operations	(3,628,001)	1,742,799	72,062,330	95,271,995	165,449,123
Total assets	3,330,573	549,645	80,096,487	1,760,333,626	1,844,310,331
Total liabilities	32,198,549	11,261,140	406,114	222,684,293	266,550,096
Year ended December 31, 2012					
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 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

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2013, 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 226.50 million (2012: SR 237 million).

22. CLIENTS' CASH ACCOUNTS

At December 31, 2013, the Company was holding clients' cash accounts amounting to SR 496.34 million (2012: SR 129.87 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.

23. ASSETS UNDER MANAGEMENT

These represent the mutual funds' and discretionary portfolio's assets related to the funds unit holders managed by the Company, which amount to SR 16.37 billion as at December 31, 2013 (2012: SR 11.03 billion). 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. 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 related parties, loans to employees, advances to employees and investments in open ended mutual funds and private equity funds.

Notes to the Financial Statements for the year ended December 31st, 2013 (continued)

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 2013	Gross maximum exposure 2012
SR		
Cash and cash equivalents	62,413,159	56,242,443
Accounts receivables	29,548,466	24,102,814
Held for trading investments	88,338,237	-
Due from related parties	54,428,239	20,680,997
Loans to employees	1,829,635	1,461,082
Advances to employees	1,113,248	899,367
Loan to ex-employee	890,000	890,000
Available for sale investments	944,006,095	893,440,874
	1,182,567,079	997,717,577

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.

	2013	2012
SR		
Increase/decrease in basis points +/- 25 bps	336,570	374,137

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	More than 12 months	2013	Less than 12 months	More than 12 months	2012
SR						
Cash and cash equivalents	62,413,159	-	62,413,159	56,242,443	-	56,242,443
Accounts receivable, net	29,548,466	-	29,548,466	24,102,814	-	24,102,814
Held for trading investments	88,338,237	-	88,338,237	-	-	-
Due from related parties	54,428,239	-	54,428,239	20,680,997	-	20,680,997
Prepaid expenses and other assets	45,738,803	-	45,738,803	7,795,954	-	7,795,954
Available for sale investments	-	1,343,236,633	1,343,236,633	-	1,135,223,003	1,135,223,003
Investment in associate	-	215,625,896	215,625,896	-	203,464,742	203,464,742
Total assets	280,466,904	1,558,862,529	1,839,329,433	108,822,208	1,338,687,745	1,447,509,953
Short-term loan	179,997,300	-	179,997,300	-	-	-
Accounts payable	8,615,250	-	8,615,250	8,615,250	-	8,615,250
Deferred revenue	2,500,000	-	2,500,000	2,500,000	-	2,500,000
Accrued expenses and other liabilities	57,337,444	-	57,337,444	49,213,807	-	49,213,807
Zakat and income tax provision	7,794,402	-	7,794,402	7,925,996	-	7,925,996
End-of-service indemnities	-	10,305,700	10,305,700	-	9,008,998	9,008,998
Total liabilities	256,244,396	10,305,700	266,550,096	68,255,053	9,008,998	77,264,051
Net	24,222,508	1,548,556,829	1,572,779,337	40,567,155	1,329,678,747	1,370,245,902

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 2012 have been reclassified to conform with the presentation in the current year.