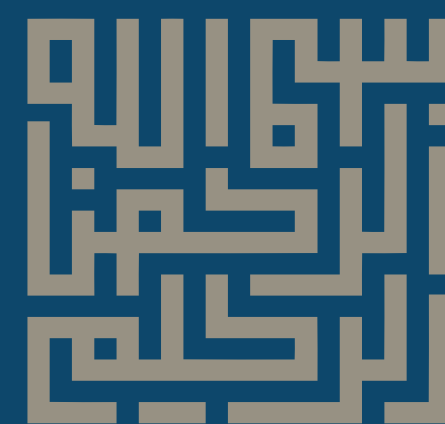


2014

Annual Report



جدوى للاستثمار
Jadwa Investment





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



His Royal Highness Prince
Mugrin Bin Abdul Aziz Al-Saud
Crown Prince, Deputy Prime Minister



His Royal Highness Prince
Mohammad Bin Nayef Al-Saud
Deputy Crown Prince and Second Deputy Prime Minister
and the Minister of Interior

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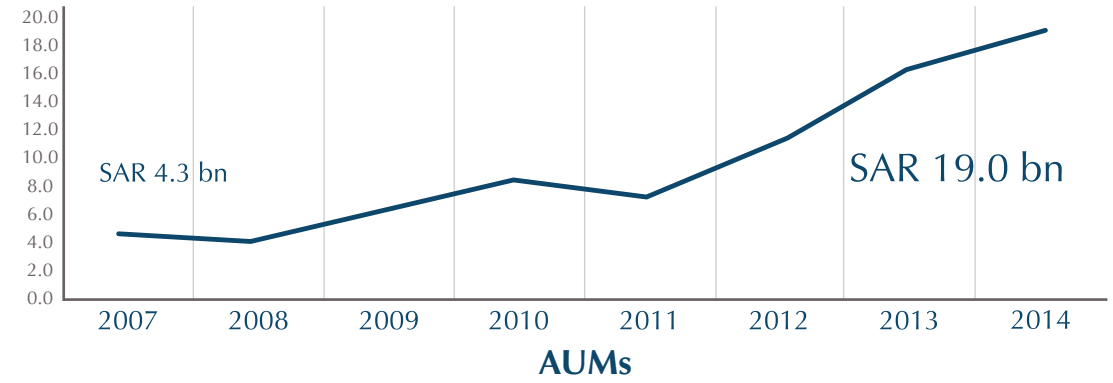
Pillar III Disclosure

Jadwa Investment
A Saudi Closed Joint Stock Company
licensed by the Capital Market Authority
Capital SAR 852,735,000 Fully Paid
Phone +966 11 279-1111 Fax +966 11 279-1571
P.O. Box 60677, Riyadh 11555, Saudi Arabia

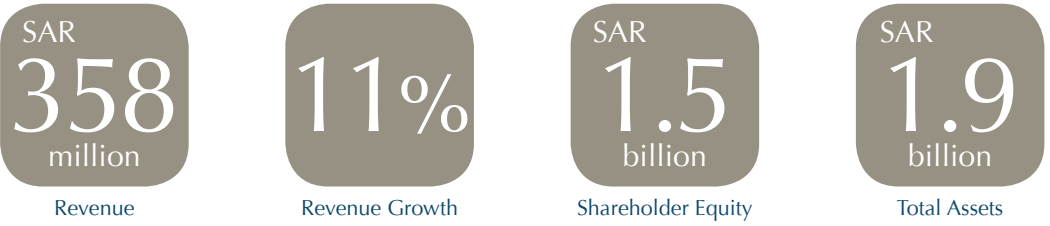
www.jadwa.com

Jadwa Investment by the Numbers

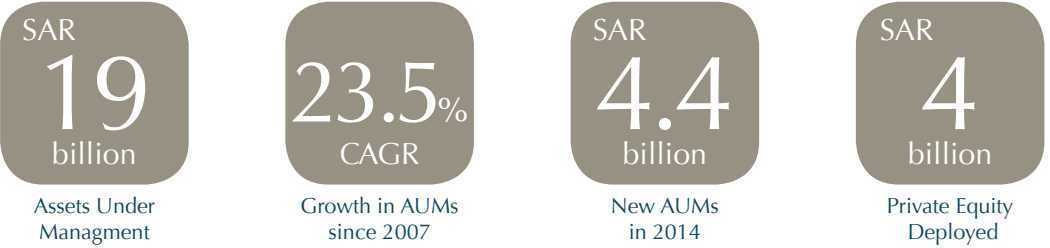
Consistent Growth



Strong Performance



Assets Under Management



Assets Scale



Business Principles

We deliver

A promise by one of us is a promise by all of us. We only make promises we are qualified and committed to fulfill. In our competitive world, this means we all work very hard.

We tell the truth

We communicate with our clients so they are never surprised by our actions or their outcomes. We don't take credit for luck, nor do we apologize for events out of our control. We adopt the same principles of transparency with our own people.

We succeed when our clients do

We align our interests with our clients'. Our fiduciary responsibility to each client is a sacred trust that can never be compromised.

We are discreet

Our clients entrust us with sensitive information. We practice the highest standards of confidentiality.

We serve our clients fairly

Similar clients are treated equally. Our professional arrangements should give our clients peace of mind.

We are prudent

We are stewards of our Firm's reputation and our shareholders' capital. We avoid actions that we wouldn't want the public to know.

We are professional

We hold ourselves to the highest standards of professional ethics and integrity. We speak our mind, and do the right thing for our clients, no matter what.

We are competent

Our clients deserve the best expertise. We invest in our people and take great care to retain them, because our clients rely on us. We have a learning culture, and we capture and build on our knowledge.

We enable

We hire the best, and foster a culture where they can perform at their peak.

We enjoy what we do

We work every day to make a difference for our clients, our Firm, our colleagues, and ourselves. We celebrate each other's successes. We are proud to be Jadwa.

We are partners

Personal bonds are an important part of our Firm's culture. We believe collaboration creates value. We care for each other, and we are inclusive.

We give back

When we succeed, the communities in which we work and live should benefit.

Board of Directors



Adib Abdullah Alzamil
Chairman of the Board of Directors



Howard Marks
Member



Abdulrahman Bin Ibrahim
Al-Ruwaita
Member



Abdulaziz Bin Mohammed
Al-Subeaei
Member



Tan Sri Dato' Azman Mokhtar
Member



Iqbal Ahmad Khan
Member



Michael Powell
Member



Tariq Al Sudairy
Managing Director & CEO

Chairman's Letter

Dear valued shareholders,

I am pleased to present the annual report of Jadwa Investment for the fiscal year 2014. Despite the market volatility toward the end of the year, the firm has successfully closed the year on a high note with a new set of record results. Revenues increased by 11 percent over 2013 to SAR 358 million, our highest since inception. Net income before impairment on investment closed at SAR 220 million, up 22 percent. We have attracted SAR 4.4 billion in additional assets under management (AUMs) from both current and new clients. And our total AUMs are now at SAR 19 billion.

Management elected to be prudent and took an impairment of SAR 78 million against Jadwa's investment in UK real estate, which has been performing below our expectations. As a result of the impairment, our final net income for 2014 is SAR 142 million.

With these strong results, the Board of Directors is pleased to propose a cash dividend of SAR 1 per share in 2014, equal to 10 percent of the nominal share value.

The Saudi Arabian stock market had a mixed year, with booming growth in the first three quarters spurred by the announcement that the bourse will be opened to foreign institutional investors in 2015. The decline in global oil prices in the fourth quarter, however, reversed those gains, leaving the overall performance of the market essentially flat over the year.

Nevertheless, we continue to see strong growth in the non-oil private sector, especially in industries driven by the strong demographic fundamentals. In addition, the strength of the Kingdom's foreign reserves ensures that large-scale infrastructure projects will continue to benefit from government spending. Overall, we remain positive on the prospects of the Saudi economy, although we anticipate volatility in the stock market to continue to be driven by oil market uncertainties.

Against this backdrop, 2014 has been a year of important developments for Jadwa that sets the platform for continued growth. It has seen the culmination of many years of hard work and sustained outperformance, represented by the continued growth in our asset management business and the successful completion of four landmark transactions.

The year also saw a transition in the leadership of the firm as Ahmed Bin Aqeel Al-Khateeb was appointed special adviser to the Court of the Crown Prince and subsequently Minister of Health, a signal honor. On behalf of the Board and the shareholders I would like to congratulate him on his continued success and thank him for his enormous contributions to the success of the firm. His leadership and acumen have set a strong foundation for future growth based on an internal culture that values the very highest standards of professionalism and client service.

It is a particular accolade to Mr. Al-Khateeb's skilled management that we were able to appoint a new CEO from within the ranks of the firm, and I thank Tariq Al Sudairy for stepping into the role. The Board has full confidence that the new leadership will continue to build on the firm's strong foundation and drive Jadwa's next phase of growth.

2015 will be a transformative year for the Saudi economy. The Board is confident that the firm is well placed to manage the changing environment and continue to provide differentiated value and performance for our clients.

Let me close by thanking everyone at Jadwa for their hard work and dedication to the firm and congratulate them on another year of outstanding performance.

I also extend my thanks and those of the Board to all our shareholders for their confidence and continued support.

Best regards.

Adib Abdullah Al Zamil
Chairman of the Board of Directors

The background of the slide is a bokeh effect consisting of numerous out-of-focus circles in various shades of blue and white, creating a textured, sparkling appearance.

Performance Based on Knowledge

A Conversation with the CEO

2014 was a landmark year for Jadwa Investment and positions the firm well for future growth

A Conversation with the CEO

Tariq Al Sudairy, Managing Director and CEO of Jadwa Investment, reflects on the firm's significant achievements in 2014 and looks ahead to new developments in 2015.

Looking back over 2014, what are some of Jadwa Investment's most significant achievements?

2014 was a landmark year for Jadwa. We further strengthened our foundations for continued growth, validated Jadwa's strategic direction, and achieved a number of important milestones for the firm.

Our most important accomplishment was to continue delivering strong performance to our clients. Our Asset Management business recorded significant inflows of new investment capital, attracting SAR 4.4 billion from existing and new clients during the year, reflecting strong confidence in our performance and future trajectory. Assets Under Management grew by 19 percent to reach SAR 19 billion. Our fund managers continued to deliver differentiated results, with all three of our flagship equity funds producing top quartile returns and collecting awards from respected organizations such as EMEA Finance, Thomson Reuters (Lipper) and MENA Fund Manager.

We are also proud that Jadwa again achieved a Moody's Investment Manager Quality Rating of MQ2, the highest rating for any asset management firm in the region and the highest-possible rating for a firm operating at a local and regional level.

In Private Equity, we had a breakthrough year, not only concluding our first-ever private equity investment exit, but also making our first majority-stake acquisition. We also took pride in becoming the first private equity firm in the Kingdom to list two of our portfolio companies on the Saudi Stock Exchange with the secondary IPO of Abdulmohsen Al-Hokair Group for Tourism and Development Company and the primary IPO of Al Hammadi Company For Development and Investment.

Our research department continued to deliver market-leading reports, represented Jadwa's thought leadership in the public sphere, and developed important insights that reaffirmed its position at the core of our business. Operationally, we put in place a state-of-the-art business continuity system — both internal and client-facing — that allows real time, remote access to data and markets, and is fully compatible with the new Tadawul system.

These developments were reflected in our financial results, as we continued to set new records and deliver strong performance in 2014. Our total revenue for the year was SAR 358 million, an 11 percent increase over last year's SAR 321 million and the strongest result in Jadwa's history. Our net income before impairment on investments reached SAR 220 million, which represents a 22 percent increase over the previous year.

We have decided to impair for the decline in the value of our investment in UK-based real estate, in an effort to ensure a prudent and conservative accounting treatment for our investments. This resulted in a total impairment charge of SAR 78 million and net income of SAR 142 million for the year.

Our 2014 results are in line with our positive trajectory and position us well for future growth.

What will this growth look like?

We are growing our organization by adding new competencies and additional scale. We are enhancing our operational capabilities by continuing to hire best-in-class talent and developing ever more improved internal processes, policies, and procedures. We are expanding our client base by attracting new clients and increasing our footprint, both within and outside the Kingdom. And we are building out our portfolio of investment products and services, allowing us to provide a broader base of specialized investment management and advisory services to our clients that would enable them to achieve their specific investment strategies and objectives.

We are moving forward across these three dimensions while carefully maintaining our current capabilities and continuing to build on our track record of performance and results.

As the business and investment environment evolves in Saudi Arabia, what opportunities do you see for 2015?

One of the most significant developments in 2015 will be the opening of the Saudi exchange to foreign investors. This will impact our business in two ways. First, it will result in increased investment flows into public equity, which we expect to translate into new inflows into our Asset Management business, mutual funds and discretionary funds. On the Investment Banking and Private Equity side, there will be greater demand for advisory services and counsel for family businesses and other Saudi companies looking to implement higher levels of corporate governance, investor relations and transparency.

We are already helping our portfolio companies prepare for this new environment by supporting enhanced corporate governance standards, conducting international road shows and introducing companies to potential investors. Our growing reputation as the Saudi partner best able to take family businesses to the next phase of growth and development positions the firm well to help our clients derive maximum benefit during this period. Whether as an active investor through our Private Equity portfolio or by providing Investment Banking advisory to companies looking to grow inorganically or list on the exchange, Jadwa is the well-placed partner of choice.

We are also seeing demand from local and regional investors for a wider range of products. We have already begun to expand our offerings to include investment products with a wider range of risk/return profiles. In addition, we are putting a stronger focus on building our local real estate offerings, a move that will benefit from continued economic expansion, sustained government expenditure on infrastructure, and the strong demand for all types of real estate in the Kingdom.

How is Jadwa Investment working to realize its vision to become the region's premier financial firm?

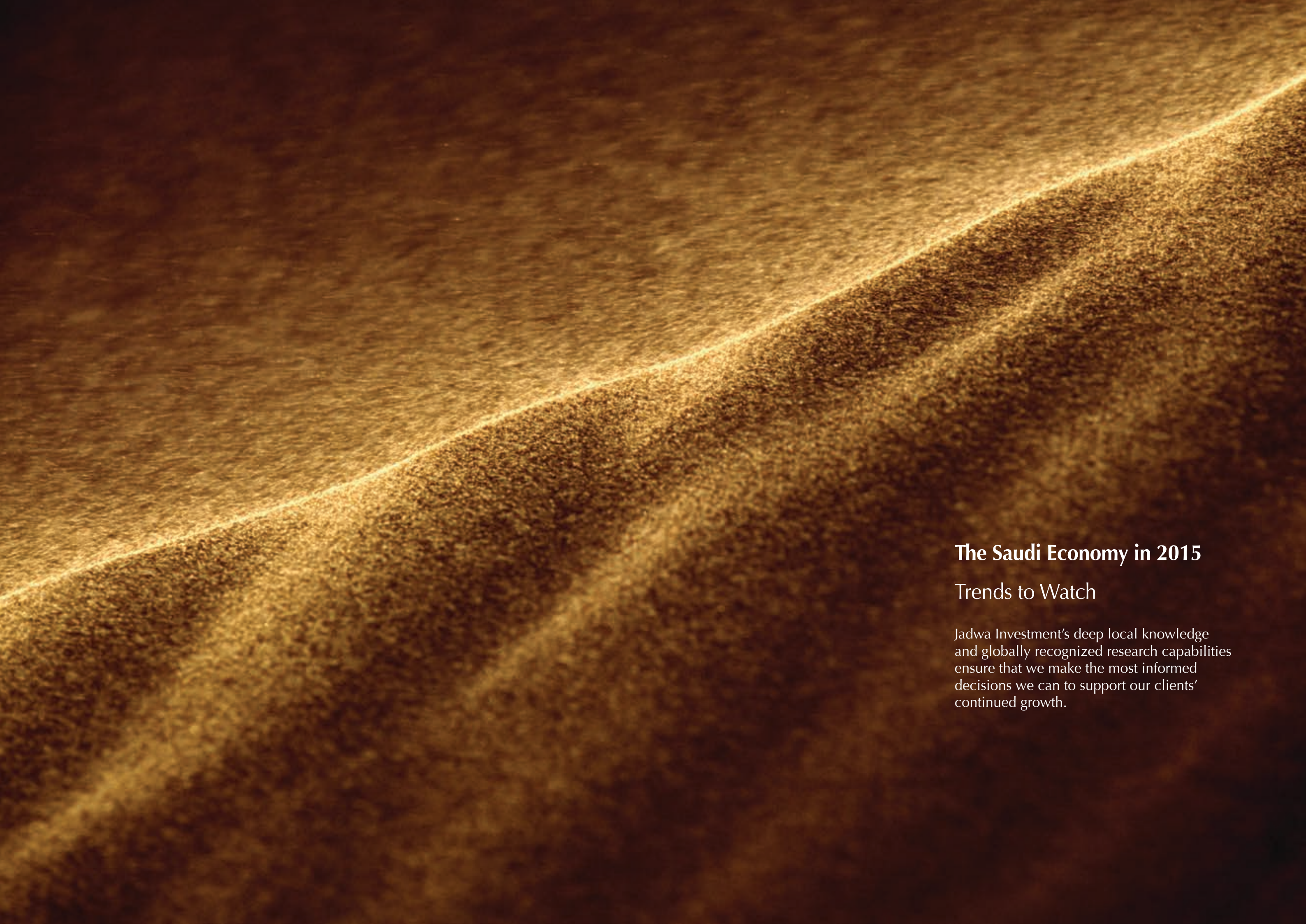
We continue to deliver differentiated and consistent investment performance, expand our client base, broaden our specialized investment products and advisory services, and sustainably demonstrate value to our clients and portfolio companies.

Our strong business performance across our core Asset Management, Private Equity and Investment Banking business lines, supported by best-in-class business enablement functions, serves to cement our position as the leading investment firm in the country as evidenced by our Moody's Investment Manager Quality Rating of MQ2, the highest possible in our class.

Having put this strong platform in place and with a clear roadmap before us, I am confident that we are well positioned to achieve our vision.



Tariq Al Sudairy
Managing Director & CEO



The Saudi Economy in 2015

Trends to Watch

Jadwa Investment's deep local knowledge and globally recognized research capabilities ensure that we make the most informed decisions we can to support our clients' continued growth.

The Saudi Economy in 2015

Oil prices, government spending, domestic business sentiment, the global economy and geopolitical tensions frame the key trends to watch in 2015. We anticipate that the Saudi economy will grow by 2.5 percent in 2015, following 2014 growth of 3.5 percent and 2013 growth of 2.7 percent. Non-oil private sector GDP growth will be 5.5 percent, down slightly from the estimated 5.7 percent last year and 7 percent in 2013.

The main downside risks to these numbers and to our broader forecast stem from the external environment: characterized by a significant slowdown in global growth and an uptick in geopolitical tensions.

The moderated domestic economic expansion is largely the result of negative growth in the oil sector and increased caution in the non-oil sector. The non-oil private sector remains robust, aided in part by the government's expansionary fiscal policy. The non-oil sector will continue to benefit from government spending, corporate lending and solid domestic consumption. The recent royal decrees should spur economic growth particularly in consumption-oriented sectors including the wholesale and retail and finance sectors.

Total government spending in 2015 will be equivalent to 40 percent of GDP compared with an average of 31.9 percent over the last ten years. This is significant because capital spending by the government provides important psychological support to private sector performance, given the centrality of economic development planning.

Budgeted investment spending was cut by 35 percent to SAR 185 billion for 2015. This was anticipated, however,

given the rapid growth in this type of spending, which averaged 25 percent per year over the past decade. Nevertheless, the current budgeted investment spending is still 36 percent higher than its level five years ago.

Record budget supports diversification

The record-high SAR 860 billion budget underscores the government's determination and ability to support economic activity, despite the prevailing subdued oil price environment. It highlights the strong focus on economic diversification, as spending on physical and social infrastructure has been kept high. This willingness and ability to support the economy will remain important as international and regional events dampen sentiment and create an increasingly difficult economic climate.

This is the first year since 2011 that the Kingdom has budgeted for a fiscal deficit, which will amount to SAR 145 billion in 2015. Financing this deficit is not an issue, at least in the short term, given the huge stock of assets that the government can call on to fund its spending.

At the end of 2014, net foreign assets at the Saudi Arabian Monetary Agency (SAMA) stood at \$728 billion (SAR 2,730 billion). This cushion gives Saudi Arabia an advantage over most other oil producing countries, alleviating the impact of lower oil prices and allowing the country to push ahead with strategic projects such as key infrastructure development. Current transport, housing, oil, power and water projects remain on track and the government is able to extend support to the private sector where necessary.

Lower oil export revenues will result in a decrease in the current account surplus in 2015. The surplus is forecast

to decline to 3.3 percent of GDP, down from 10.8 percent of GDP in 2014. In dollar terms, the surplus is expected to decline to \$24.1 billion, almost a third of its level in 2014.

Robust growth in construction, utilities, manufacturing

While the oil sector, accounting for the largest share of the economy at 43 percent, is expected to contract marginally by -0.6 percent, top performing non-oil sectors should see solid growth in 2015. This includes construction, which is forecast to retain its position as one of the fastest growing sectors in the economy with annual growth of 6.6 percent, driven by government investment spending on key large scale projects. Electricity, gas and water will continue to experience robust growth in 2015, up 6.5 percent, versus 5.9 percent in 2014.

Non-oil manufacturing is expected to grow by 5.7 percent, down from 6.3 percent and 6.5 percent in 2013 and 2014 respectively, due to subdued global demand for manufactured goods, particularly petrochemicals. The telecoms and transport sector will slow, but remain above 5.5 percent, while finance sector growth will slow to 4.2 percent from 4.5 percent, given its correlation to private sector activity.

Excess supply constrains oil prices

Underlying many of our forecasts is the expectation that low oil prices will continue into the first half of 2015, as OPEC resists cutting production and the lower price environment takes time to affect non-OPEC supplies. Excess supply will continue to define the market throughout 2015, with peak surpluses in global oil balances around the first quarter.

In the second half of 2015, we see prices gaining support from a slight pickup in global demand, via a mild improvement in global economic growth and some reduction in non-OPEC supply growth.

We expect Brent to average \$79/barrel for 2015 and Saudi export to average \$75/barrel, down from \$95.8/barrel in 2014. There remains significant downside risk to this forecast as competition for global market share will intensify in 2015. In such an environment, we forecast only a moderate decline in Saudi production, to 9.6 million barrels of oil per day (bpd), down from 9.7 million in 2014.

Movements in oil prices, domestic and global business, consumer demand, the pace of Saudi government spending and external factors such as geopolitical tensions ultimately will define the true condition of the economy in 2015.

Since we launched our first products in 2007, a client who invested in every Jadwa product would have gained 105.9% through 2014

105.9%
Cumulative return for the entire product portfolio is 105.9% up to end of December 2014.

A New Investment Environment

The much-anticipated entry of foreign investors into the Saudi Arabian stock market will benefit the local bourse and create significant opportunities for those Saudi companies that are prepared to take advantage of this shift. It will bring greater depth and widen the investor base, encouraging a move away from the retail focus that currently dominates the local exchange. However, companies will need to overcome several challenges in order to attract large foreign institutions seeking to increase their exposure to the region's most diverse capital market.

The CMA has defined specific criteria to ensure that the foreign institutions that enter the Saudi market are suitably qualified and well established. This positive step will limit the inflow of hot money into the market and reduce associated risks. Instead it will encourage an influx of smart money managed by sophisticated investment professionals who will take a very different approach from local retail investors. This is expected to have significant ramifications for companies in respect of corporate governance, reporting practices and operational efficiencies in the long run.

International institutions base their investment decisions on depth and quality of information. While some companies in Saudi Arabia provide greater levels of disclosure than required by the regulations, these companies are exceptions rather than the rule.

Companies will need to go beyond minimum levels of disclosure if they hope to attract international investors. For example, dual language reporting is not required by Saudi regulations. While many companies provide annual reports in both Arabic and English, the majority

of market announcements are made in Arabic only. This creates an impediment to entry for international investors, who will naturally gravitate toward companies that make it a practice to deliver all market announcements in dual languages.

Likewise, investors will favor those companies that provide greater transparency on financial performance and more robust management analysis in their regulatory filings. Companies that take the initiative to provide a level of transparency that meets the expectations of global investors will benefit from a more attractive cost of capital and enhanced opportunities for growth over those that do not.

Companies should also expect larger institutional investors to seek greater operational clarity and transparency from corporate boards. This will encourage a greater focus on corporate governance and quality of reporting. International investors will expect to be well informed of all elements of company operations and will expect managements to be accountable for their strategic decisions.

As one example, international investors will expect companies to improve efficiencies, including making better use of assets to generate sales and ultimately increase RoE. Companies that seek to be market leaders will embrace these practices and will be rewarded with easier access to capital. Companies that resist or hesitate to take such steps will find themselves disadvantaged in their efforts to attract new investment.

Proactive and targeted outreach to potential investors will be key to success for Saudi companies seeking international investment.

Through its Asset Management business, Jadwa Investment is a significant investor in the Saudi stock market. As part of our investment process we regularly interact with the management of listed companies and encourage them to enhance existing standards of transparency and efficiency.

On the private equity side of our business, we work in close partnership with our portfolio companies, helping them put in place new standards

of corporate governance, restructure balance sheets, attract highly skilled professional management and effectively structure operations for future growth. We are also taking active steps to introduce our clients and portfolio companies to potential investors via roadshows and individual meetings.

The opening of the Saudi stock exchange to direct foreign ownership is good not only for the market but for Saudi companies as well. Whether these companies are currently traded on the bourse or anticipate a listing in the future, the arrival of international institutional investors creates significant prospects for performance improvements and growth.

Industry recognition for excellence



7 awards in 2014



A Culture of Performance

2014 Business Overview

Jadwa Investment's performance is grounded in a corporate culture that embraces partnership and celebrates the contribution of each individual team member to the achievements of the firm as a whole.

Business Overview

About Jadwa Investment

Jadwa Investment is a Riyadh-headquartered investment management and advisory firm with assets under management of SAR 19 billion in public equity, private equity, real estate and fixed income. Our clients include government-related entities, local and international institutional investors, leading local family companies and offices, and high-net-worth individuals.

Since incorporation in 2007, we have built a strong track record in investment management and investment banking advisory. Our specialized products and services include award-winning mutual funds, discretionary portfolio management mandates; private equity and real estate investments; M&A, capital market and general advisory services, and research. Today, we are one of the Kingdom's three largest public equity asset managers and the region's top mutual fund performer. We have developed a reputation as the Saudi partner best able to take family businesses to the next phase of institutionalization and growth. And we are recognized for the high quality of our widely read research reports.

Asset Management

Asset Management continued to be one of the firm's main drivers of organic growth in 2014, registering another strong year. Achievements include raising SAR 4.4 billion in new investment capital, one-third of which came from new clients. This was the largest single-year inflow ever recorded by the firm.

Jadwa Investment's flagship Saudi, GCC and Arab markets equity funds demonstrated strong performance compared to their respective benchmarks for the seventh year in a row. The funds continue to be top performers in the region since their inception in June 2007. Public equity discretionary strategies continued to significantly outperform benchmarks/ market returns. In fact, 2014 returns of these strategies outstripped their respective benchmarks / market returns by 4.1 percent to 20.0 percent.

Jadwa Investment had almost SAR 19 billion in public equity, private equity, real estate and fixed income assets under management as of December 31, 2014, up 15.6 percent from SAR 16.4 billion at the end of 2013. 60 percent of this total originated from institutional investors, reflecting their confidence in our ability to deliver strong, consistent performance and service.

The team managed in excess of SAR 11 billion in discretionary portfolios, along with SAR 400 million in seven public equity and fixed-income mutual funds as of December 31, 2014. In 2014 Moody's Investors Service reaffirmed our Investment Manager Quality

assessment of MQ2, the highest assessment awarded to any asset management firm in the region which emphasizes Jadwa Investment's strong management characteristics.

During 2014, we began work on three new mutual funds that seek to replicate our discretionary portfolio investment strategies, which we expect to launch in 2015.

Third parties continue to validate and recognize our impressive performance. During 2014, the Asset Management team received several awards and accreditations, including:

- EMEA Finance's "Best Asset Manager in the Middle East" for a third consecutive year and "Best Asset Manager in Saudi Arabia" for the second year
- Thomson Reuters Lipper Fund Awards for "Best Equity Group" and "Best MENA Equity Fund Over 3 Years" for the Jadwa Arab Markets Equity Fund
- Banker Middle East (CPI Financial) Product Awards named Jadwa Saudi Equity Fund as the "Best Islamic Fund"
- MENA Fund Manager Performance Awards recognized Jadwa GCC Equity Fund as the top GCC Equity Fund three-year performance (under \$30m)

Private Equity

In our private equity business, we successfully concluded four landmark transactions in 2014. During the year, we listed Abdulmohsen Al-Hokair Group for Tourism and Development Company through a secondary IPO, marking Jadwa's first portfolio company listing. We also listed Al Hammadi Company For Development and Investment through a primary IPO, making Jadwa the first private equity player to list two portfolio companies on the Saudi stock exchange. Additionally, we achieved our first complete exit following the sale of our stake in Gulf Union Foods Company to Olayan Financing Company. Finally, we completed our seventh private equity transaction with the acquisition of Global Environmental Management Services.

As a result of our proven investment model and strong track record of deal sourcing — exemplified by our 2014 transactions -- we have further solidified Jadwa Investment's position as a partner of choice for Saudi companies and family businesses. We have today deployed more than SAR 4 billion in private equity across seven companies and are building on our proven investment model and compelling track record of performance.

2014 Landmark Transactions

The secondary IPO of Al Hokair Group

On 26th June 2014, we successfully listed Abdulmohsen Al-Hokair Group for Tourism and Development Company on the Saudi Stock exchange ("Tadawul") through a secondary IPO, which marks Jadwa's first portfolio company listing. The IPO was hugely successful. The offering was oversubscribed 11.7x by institutional and retail investors, and was listed at the highest price within the valuation range (SAR 50 per share). The stock commenced trading on June 26th, and went on to achieve its maximum allowed price increase of 10 percent per day for the following six consecutive days.

Jadwa Tourism & Hospitality Opportunity Fund exited 30 percent of its stake in Al Hokair through the secondary IPO.

The full exit of Gulf Union Foods Company

On 3rd July 2014, we completed the sale of our entire 30 percent stake in Gulf Union Foods Company (GUFC) to Olayan Financing Company. The transaction constitutes a major milestone in Jadwa's history as it marks our first full private equity exit. The transaction creates a complete investment track record, from acquisition to exit. Our partnership with GUFC supported a compound annual growth rate of 22 percent in revenues and 14 percent in net income. The sale to Olayan Financing Company, one of the Kingdom's leading investment companies, demonstrates a sophisticated investor's confidence in GUFC's management, business strategy and growth trajectory.

The primary IPO of Al Hammadi

On 15th July 2014, we successfully listed Al-Hammadi Company For Development & Investment on the Saudi Stock exchange (Tadawul) through a primary IPO. The offering was oversubscribed 12.1x by institutional and retail investors, and achieved the highest price within the valuation range (SAR 28 per share). The stock commenced trading on July 15th, and proceeded to achieve its maximum allowed price increase of 10 percent per day for ten consecutive days. With this IPO, Jadwa is now the first private equity player to list two portfolio companies on the Saudi stock exchange.

The acquisition of Global Environmental Management

Services On 25th September 2014, we completed the acquisition of our seventh private equity portfolio company, Global Environmental Management Services ("GEMS") through Jadwa Waste Management Opportunities Fund. The acquisition of GEMS constitutes yet another major milestone for Jadwa as it is our first majority-stake investment and one of the largest private equity transactions we have completed to date

Real Estate

The Asset Management team is working to expand its Real Estate product offerings, which were previously focused on opportunistic investments largely in the United Kingdom. This is in response to growing investor interest and increasing opportunities presented by the Saudi real estate sector. We are exploring several real estate opportunities that focus on income generation and capital appreciation. We expect to offer these opportunities to our clients in 2015.

Investment Banking

In investment banking, we worked with a leading Saudi company on an IPO advisory mandate. The team helped oversee the various work streams in connection with the IPO, which is planned for 2015. The department also acted as a sell-side advisor to a client on a potential cross-border M&A mandate.

Brokerage

In 2014, we continued to provide a reliable and high-quality platform to execute public equity and commodity markets transactions in Saudi Arabia and across GCC. We also successfully implemented system enhancements to improve the client trading experience. The improvement came as part of a core system upgrade to the TradeNet order management system. Brokerage clients gained faster order routing and processing capabilities, along with the ability to trade in multiple markets (involving multiple currencies) while maintaining cash account in a single currency. The system also assures compatibility with Tadawul's new stock trading platform. These improvements benefit all clients, whether they execute orders by phone or directly via Jadwa's online trading portal.

Proprietary Investments

Our Proprietary Investments (PI) portfolio generated revenues of SAR 154 million in 2014. This is largely attributed to gains realized from our stock market portfolio and private equity exists, in addition to dividends distributed from both public equity and private equity portfolios.

Research

During 2014, the Research Department continued to provide the quality analysis, insights and deep understanding of the investment environment that inform our strategy and decisions, and deliver a key competitive advantage to our firm and our clients.

Through the publication of 47 original reports during the year — in both Arabic and English — we demonstrated our thought leadership, most notably with the timely launch of a quarterly oil and gas research service that included signature reports on the oil refinery industry and the implications of lower

oil prices on domestic fiscal policy. These reports, which drew on our expanded market understanding, received wide coverage in local, regional and international media, and built on the success of our 2013 coverage of the shale oil industry and other previous special reports.

Our first-to-market assessment of the impact of the Tadawul's opening to foreign investors drew widespread interest and led to a series of interviews with news channels. We also participated in the "Focus KSA" webinar series developed by the Saudi-U.S. Trade Group with a view to attracting foreign investment into the Kingdom.

Another well-received report was our paper on the global refining industry, which provided insights into the factors fueling the rapid increase in Saudi domestic energy consumption over the past decade, a topic of growing interest, locally and globally.

These specialized reports complemented the department's regular bulletins, which are the mainstay of the Jadwa Investment business, and are closely followed by our clients, by more than 4,000 individual subscribers and the general public. These scheduled reports include the monthly Saudi Chartbook, quarterly and semi-annual GDP commentaries on the broader Saudi economy, the Annual Outlook and periodic monetary updates.

The reports are shared openly via the Jadwa Investment website and generate regular media headlines. They position Jadwa Investment as the leading provider of informed analysis on the Saudi business environment and a sought-after commentator speaking to both local and international audiences. Representatives of the Research Department made presentations at 13 conferences, held 34 meetings with clients and members of the investing public and participated in 29 live television interviews.

Also supporting our leadership as a sought-after source of analysis, the Jadwa Investment Shariah Department released insightful reports and commentaries that contributed significantly to the field of Islamic finance. These included a book on Sukuk Al Mudaraba, a report on the management of Waqf funds, Shariah opinions on the Zakat treatment of mutual funds and discretionary portfolio management investments, and an article on the Shariah view toward underwriting IPOs. News media engagement included an interview on CNBC Arabia speaking about the future of Waqf funds under the new market regulations in Saudi Arabia.

Business Enablement

Jadwa Investment's Business Enablement departments continued to provide best-in-class infrastructure and support to the firm's activities in 2014. The departments ensured smooth and reliable operations to both internally focused and external client- and stakeholder-facing activities.

Through best-in-class IT systems, operational procedures and personnel, our business enabling departments also supported the firm in meeting all internal and external compliance criteria and benchmarks to deliver a superior level of client service.

Information Technology

Several major activities involving the firm's IT systems, software, networks and databases brought additional security, business continuity, enhanced client experience and improved functionality to all aspects of Jadwa Investment's operations.

The IT team oversaw the implementation of a fully tested Disaster Recovery Center. The new system ensures that team members could manage the full range of daily business and operational activities, even in a worst-case, disaster scenario. The center is equipped to host critical functions and allow team members to work remotely during a disaster.

The strength of the IT system was further enhanced through the migration to an upgraded enterprise storage architecture for all databases underlying the firm's systems and key business applications. Implemented with no interruption to business operations, the migration provides increased storage capacity and performance, enhanced security, a longer-lifespan technology and more cost-effective scaling to expand capacity as required.

We also conducted our comprehensive annual security and penetration test of all externally exposed systems. This year's test covered all services, including online trading, the website and web email.

In the firm's ongoing commitment to improving client service, we implemented a core system upgrade that was the biggest since Jadwa's inception. The new system offers major enhancements, including a new user interface for brokers, as well as support allowing a single-currency account to trade in multiple markets with multiple currencies. It supports multiple online trading browsers, and is compatible with the planned new stock market system. The new core system upgrade enables faster order routing and processing, which results in shorter order travel time to and from Bloomberg AIM.

The Information Technology department implemented several business-enabling initiatives to provide additional resources and capabilities to team members, ultimately enhancing the client experience. These included deploying a client relationship management (CRM) system in the Private and Institutional Client Investments, Asset Management and Research departments.

Enhanced capabilities include complete management of call reports, 360-degree client reporting, and relationship manager access to all of his/her assigned clients. In 2015, additional business processes will be adapted onto the CRM platform, on our way to bringing all business processes across all business departments onto an extended CRM platform.

To support the flow of information across all departments and areas of the firm, a new company intranet was inaugurated during 2014. It provides an enhanced staff experience, boosts interaction and awareness of company news, developments and other issues.

Investment Operations

In addition to supporting the investment-related systems, Investment Operations continued to provide key compliance, administrative and accounting support.

This work included completing the preparation and audit of Jadwa Investment's seven public funds and seven private funds, and submitting financial statements to the Capital Market Authority. The audit documents drew no comments or adverse remarks from the firm's auditors and all statements to the CMA were submitted well before the regulatory deadline. Investment Operations managed data processing, subscription and redemption processing, client account activity management, fund accounting, fund administration, MIS and regulatory reporting, dividend processing and custodian-brokerage firm coordination for the firm's client portfolios and funds.

Shariah Group

In 2014, the Shariah Group has effectively continued supporting the business lines in the area of Shariah consultation as well as auditing Jadwa's activities to assure their compliance with Shariah resolutions.

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 issued a number of publications focusing on financial dealings, and represented Jadwa by participating in Islamic banking conferences and workshops. A workshop for new

team members was conducted to explain the most important principles of Islamic banking. The Shariah Group has also obtained the Annual Shariah Board Statement that indicates the firm's compliance with Shariah guidelines and resolutions.

Corporate Social Responsibility

Jadwa Investment's corporate responsibilities focus on supporting the national agenda for sustainable development by building financial expertise among the next generation of Saudi industry leaders and by building substantial partnerships with social and charitable organizations.

We maintain an ongoing internship program in partnership with leading schools in Saudi Arabia. We bring trainees into the office where they work alongside our team of financial professionals to acquire the skills and learning they need to develop their future careers. In 2014 we accepted a total of nine interns, including four female students, who worked for six months in our offices across the full range of our business. This brings the total number of trainees to thirty-seven since the program was established in 2009. Jadwa is committed to the development of opportunities for Saudi women in the workplace and, in recognition of this, eighteen of the participants in the program have been women. Eleven of the students who have participated in the program have subsequently joined the Jadwa team.

Our social philanthropy activities this year included the sponsorship of the Sanad Children's Cancer Support Association annual fundraising dinner. Sanad provides support to child cancer patients and their families in the Kingdom by raising awareness and extending financial support. The annual dinner attracts the participation of guests, businesswomen, diplomatic representatives and charitable organization leaders and is an important event to raise awareness of this issue. Jadwa Investment is proud to have been able to contribute to an initiative that is in line with our and social values.

Our Portfolio Companies

	<p>Acquisition Year: 2007 Acquisition Stake: 30 percent Sector: Oil & Gas Fund: Jadwa Co-Investment Fund (Saudi Lube Oil) Website: www.luberef.com</p> <p>Luberef is engaged in the refining and production of base oil through the ownership and operation of two lube oil refineries in Jeddah and Yanbu. Its operations started in 1978 with the start-up of the Jeddah refinery, and a second refinery was commissioned in 1998 in Yanbu. The majority of Luberef's base oil production is consumed in Saudi Arabia. The remaining 70 percent of Luberef is owned by Saudi Aramco.</p>
	<p>Acquisition Year: 2009 Exit Year: 2014 Sector: Food & beverage Fund: Food and Beverage Opportunity Fund Website: www.gulf-union.com</p> <p>Gulf Union Foods Company was founded in 1999. It is one of the leading companies in the production and marketing of juices and beverages. The company is located in the third industrial city in Riyadh, Saudi Arabia, where it is equipped with the latest machinery, equipment and production lines with highly technical specifications, advanced technology and the highest standards of quality.</p> <p>Jadwa's Food and Beverage Opportunity Fund fully exited its 30 percent stake in GUFC through a trade sale to Olayan Financing Company in July 2014.</p>
	<p>Acquisition Year: 2010 Acquisition Stake: 49 percent Sector: Electronics & appliances Fund: Jadwa Technology Special Opportunity Fund Website: www.umg.com.sa</p> <p>United Matbouli Group ("UMG") is a leading retailer and distributor of home appliances, air conditioners and consumer electronics. It's the sole distributor of Samsung electronics and appliances (white and brown goods) in Saudi Arabia. The company operates with a total area of approximately 110,000 m2. In addition, UMG has a retail presence of 5 megastores across Saudi Arabia.</p>
	<p>Acquisition Year: 2011 Acquisition Stake: 49 percent Sector: Building materials Fund: Jadwa Building Materials Opportunity Fund Website: www.zamilco.com</p> <p>Al Zamil Company for Industry, Trade, & Transport is a Riyadh-based company, founded in 1990. The Company is a leading building materials company, with primary focus on late-stage house requirements, including water tanks, manhole covers, automated doors, and insulation services. It is the uncontested leader in the water tank business. Production is supported by a UK-based R&D center that develops new product offerings and proprietary formulations exclusively for the Company.</p>

	<p>Acquisition Year: 2012 Acquisition Stake: 35 percent Sector: Hospitality & entertainment Fund: Jadwa Tourism & Hospitality Opportunity Fund Website: www.alhokair.com</p> <p>Al Hokair Group was established in 1978, commencing its operations by establishing the first theme park in Riyadh. In 1985, the Group ventured into the hospitality sector. With a history spanning over 40 years, the Group has now evolved into one of the earliest investors in hospitality and entertainment in the Kingdom. Today, the company boasts over 2,900 employees and plays a leading role in entertainment, leisure and tourism. The Group's portfolio includes 29 hotels across 11 cities, with more than 3,305 rooms and 52 entertainment centers in KSA and UAE attracting 8.7 million visitors. Jadwa Tourism & Hospitality Opportunity Fund exited 10.5 percent ownership in June 2014 during a secondary IPO of the Al Hokair Group on the Saudi Stock Exchange (Tadawul).</p>
	<p>Acquisition Year: 2012 Acquisition Stake: 30 percent Sector: Healthcare Fund: Jadwa Healthcare Opportunities Fund Website: www.alhammadi.com</p> <p>Al Hammadi Company for Development and Investment is one of the pioneers in the Saudi private healthcare sector with a history that dates back thirty years. Al Hammadi established its first hospital in the Olaya district of Riyadh in 1985 with a capacity of 50 beds and 12 outpatient clinics. The Company has now evolved into a leading private healthcare services provider in Riyadh with 300 beds and 74 outpatient clinics. The Company is currently working on an exciting expansion plan, which includes opening two new hospitals over the next two years, which will more than triple its capacity.</p> <p>Jadwa Healthcare Opportunities Fund diluted its stake in Al Hammadi by 30 percent following a primary IPO of the company on the Saudi Stock Exchange (Tadawul) in July 2014.</p>
	<p>Acquisition Year: 2014 Acquisition Stake: 100 percent Sector: Industrial waste management Fund: Jadwa Waste Management Opportunities Fund Website: www.gems-ksa.com</p> <p>Global Environmental Management Services ("GEMS") is a leading industrial waste management company in Saudi Arabia. The company provides hazardous waste-management, industrial and engineering services to the oil, petrochemical and industrial sectors in Saudi Arabia. GEMS has a strong, experienced management team, complemented by access to an in-house science and engineering center in Spain, which boasts a highly qualified team of scientists, engineers and financial professionals.</p>



Shariah Supervisory
Board Annual Statement

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 (Member of the Board)

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

Shariah Supervisory Board Annual Statement for the Year 2014

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.





Corporate Governance

Jadwa Investment holds itself to the very highest standards of corporate governance and transparency

Corporate Governance

Jadwa Investment has adopted Corporate Governance practices in line with international standards and in harmony with the issued rules and regulations 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 as adopted by the Capital Market Authority

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

No.	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 of which the Board Member is a member of the Board of Directors, formation of the Board of Directors and its classification.				✓
2.4	Summary 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.				✓

*Jadwa was fined SAR 10,000 for waiving its managment fees for Saudi Riyal Murabaha Fund.

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 - Member of the Board and Managing Director.• Saudi Research & Marketing Group - Board Member, Member of Executive Committee, Member of Compensation and Remuneration Committee• Emaar The Economic City company - Board Member, Chairman of Executive Committee• Halwani Brothers Company - Chairman of the Board of Directors• Al Khozama Management Company - Board Member• Amlak International Company - Board Member• Alessa Industries Company - Board Member
6	Mr. Abdulaziz Alsubeaei	<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, Member of HRN Committee• Mohammed Ibrahim Al-Subeaei & Sons Investment Holding CO. (MASIC) - Board Member, Member of the Executive Committee, Member of HRN Committee, Chairman of the Board of MASIC Logistics.• Saudi Mechanical Industries Co - Board Member,• Bank Islam Brunei Dar-ul-Islam (BIBD) - Board Member, Member of HRN Committee.• The Council of Saudi Chambers, Riyadh - Member of National Committee of Endowments.• Chamber of Commerce & Industries in Riyadh - Member of the Endowments Committee, Member of the Committee for Securities & Exchange Commission and Investments, Member of the Committee of Family Businesses.
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• FinEx Capital Management LLP, UK - Senior Managing Partner
8	Mr. Tariq Al Sudairy	<ul style="list-style-type: none">• Non-Independent• Executive	<ul style="list-style-type: none">• Tadawul - Board Member.• Saudi Aramco Base Oil Company (Luberef) - Board Member.• Abdulmohsen Al-Hokair Group for Tourism and Development Company - Board Member• Alrajhi Alpha Investment Holding Company - Board Member• Naba Educational Company - Board Member

Board of Directors Remuneration for the year 2014

	Name	Annual Remuneration	Allowances	Total
1	Mr. Adib Al-Zamil	200,000	62,000.00	262,000.00
2	Tan Sri Dato' Azman Mokhtar	200,000	64,000.00	264,000.00
3	Mr. Howard Marks	200,000	51,000.00	251,000.00
4	Mr. Iqbal Khan	200,000	19,000.00	219,000.00
5	Mr. Abdulrahman Al-Rowaita	200,000	62,000.00	262,000.00
6	Mr. Abdulaziz Alsubeaei	200,000	57,000.00	257,000.00
7	Mr. Michael Powell	200,000	19,000.00	219,000.00
8	Mr. Tariq Al Sudairy		28,500.00	28,500.00
	Totals	1,400,000	368,500	1,762,500.00

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. Tariq Al Sudairy	Member	Non-independent board member, executive
4	Mr. Ahmad Farouk	Member	Non-independent member, non-executive
5	Mr. Rashad Pablo Jr.	Secretary	

The Executive Committee oversees the financial and operational performance of the company and is chaired by an independent member of the Board of Directors. Members of the Executive Committee are solely responsible to the Board of Directors. The committee assists the Board of Directors to ensure effective monitoring systems of the company. It keeps under review the adequacy of reporting arrangements and effectiveness of internal control & risk management. It has conducted three meetings in the year 2014.

INVESTMENT COMMITTEE			Members' Classifications
1	Mr. Michael Powell	Chairman	Independent board member, non-executive
2	Mr. Tariq Al Sudairy	Member	Non-independent board member, executive
3	Mr. Brad Bourland	Member	Independent external member, non-executive
4	Mr. Zaheeruddin Khalid	Member	Executive
5	Mr. Abdulaziz Alarifi	Member	Executive
6	Mr. Saad Alsaif	Member	Executive
7	Mr. Rashad Pablo Jr	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 a non-executive member of the Board of Directors. It conducted four meetings in the year 2014.

AUDIT & RISK COMMITTEE			Members' Classifications
1	Mr. Abdulrahman Alrowaita	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 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 internal audits by reviewing jointly with the external and internal auditors. It has conducted four meetings in 2014.

REMUNERATION AND NOMINATION COMMITTEE			Members' Classifications
1	Ms. Ann Almeida	Chairperson	Independent external member, non-executive
2	Mr. Abdulaziz Alsubeaei	Member	Non-independent board member, non-executive
3	Mr. Tariq Al Sudairy	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 five meetings in 2014.

COMPLIANCE COMMITTEE			Members' Classifications
1	Mr. Abdulaziz Alsubeaei	Chairman	Non-independent board member, non-executive
2	Mr. Tariq Al Sudairy	Member	Non-independent board member, executive
3	Mr. Ali Al-Segayh	Member	Executive
4	Mr. Rami Alshedi	Member	Executive
5	Mr. Mohammed Alobaid	Member	Executive
6	Mrs. Lamia Alhumaid	Secretary	Executive

The Compliance Committee was formed to minimize legal and regulatory risks and to ensure the company's commitment to follow 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 were issued with respect to legal and ethical requirements related to business activities. It has conducted four meetings during 2014.

Result of the Annual Audit of the effectiveness of the Company's Internal Control Procedures.

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 include financial controls, operational controls, and compliance & regulatory controls in addition to providing a recommendation for each observation. During 2014, 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 7 out of 14 departments. Also, Internal Audit performed a follow-up review to close all open findings relating to 6 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 the control processes to the most efficient and optimum levels.

During 2014, the Internal Audit department was assisted by Grant Thornton audit firm to provide assistance to the Head of Internal Audit. The Internal Audit department's main role is planning and following-up on 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.

An aerial photograph of a river. The foreground is filled with white, frothy rapids that flow diagonally from the top left towards the bottom right. The water in the background is a deep, dark green, forming a pool or a slower-moving section of the river. The contrast between the white rapids and the dark water is sharp.

Financial Statements and Independent Auditor's Report



AUDITORS' REPORT

To the shareholders
Jadwa Investment Company
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying balance sheet of Jadwa Investment Company – Saudi closed joint stock company (the “Company”) as at December 31, 2014, and the related statements of income, cash flows and changes in shareholders’ equity for the year then ended, and notes 1 to 28 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, 2014, 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. Makhdoom
License No. 358
Jumada Al Oula 7, 1436H
February 26, 2015



- 1 -

Member of Deloitte Touche Tohmatsu Limited

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
P.O. Box 213
Riyadh 11411
Kingdom of Saudi Arabia
Tel: +966 (0) 11 282 0400
Fax: +966 (0) 11 293 0890
www.deloitte.com
License No. 96
Head Office: Riyadh

Balance Sheet as at December 31st, 2014

	Notes	2014	2013
ASSETS			SR
Current assets			
Cash and cash equivalents	3	105,375,392	62,413,159
Accounts receivable, net	4	47,026,256	29,548,466
Held for trading investments	5	200,401,485	88,338,237
Due from related parties	6	55,170,934	54,428,239
Prepaid expenses and other assets, net	7	16,599,179	45,738,803
Total current assets		424,573,246	280,466,904
Non-current assets			
Available for sale investments	8	1,178,588,568	1,343,236,633
Property and equipment, net	9	6,146,196	4,980,898
Investment in an associate	10	241,244,683	215,625,896
Total non-current assets		1,425,979,447	1,563,843,427
TOTAL ASSETS		1,850,552,693	1,844,310,331
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Due to bank – current portion	11	179,997,300	179,997,300
Accounts payable		8,615,250	8,615,250
Deferred revenues		-	2,500,000
Accrued expenses and other liabilities	12	83,299,018	57,337,444
Zakat and income tax provision	13	7,476,837	7,794,402
Total current liabilities		279,388,405	256,244,396
Non-current liabilities			
Due to a bank	11	44,999,325	-
End-of-service indemnities		8,244,124	10,305,700
Total non-current liabilities		53,243,449	10,305,700
TOTAL LIABILITIES		332,631,854	266,550,096
Shareholders' equity			
Share capital	1, 14	852,735,000	568,490,000
Statutory reserve	15	305,128,023	290,967,929
Change in fair value of investments	8, 10	185,367,748	295,267,705
Retained earnings		174,690,068	423,034,601
Total shareholders' equity		1,517,920,839	1,577,760,235
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,850,552,693	1,844,310,331

The accompanying notes form an integral part of these financial statements

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Statement of Income for the year ended December 31st, 2014

	Notes	2014	2013
Revenues		SR	
Asset management		135,208,167	110,570,498
Investment banking		45,959,866	24,482,579
Brokerage		5,934,856	5,532,877
Income from proprietary investments, net	16	145,203,789	168,499,308
Share in income of an associate	10	25,618,787	12,161,154
Total revenues		357,925,465	321,246,416
Expenses			
Salaries and other benefits		(95,234,885)	(100,549,170)
Depreciation	9	(1,501,337)	(2,105,699)
Rent expenses		(4,188,534)	(4,226,850)
Commission on short-term loan		(6,650,989)	(4,601,415)
Other general and administrative expenses	17	(30,218,791)	(29,314,159)
Total expenses before impairment on investments		(137,794,536)	(140,797,293)
Net income before impairment on investments		220,130,929	180,449,123
Impairment of investments	8	(78,529,987)	(15,000,000)
NET INCOME		141,600,942	165,449,123
Earnings per share:	18		
Income from operations		1.66	1.94
Net income		1.66	1.94

Statement of Cash Flows for the year ended December 31st, 2014

	2014	2013
OPERATING ACTIVITIES		SR
Net income	141,600,942	165,449,123
Adjustments for:		
Share in income of an associate	(25,618,787)	(12,161,154)
Depreciation	1,501,337	2,105,699
End-of-service indemnities	1,858,731	3,121,795
Provision for doubtful debts	-	1,137,366
Realized gains on sale of available for sale investments	(105,669,392)	(130,993,703)
Unrealized gains on held for trading investments	(401,485)	(1,089,048)
Realized gains on sale of held for trading investments	(8,035,870)	-
Impairment on investments	78,529,987	15,000,000
Write-off of property and equipment	937	-
Changes in operating assets and liabilities:		
Accounts receivable	(17,477,790)	(6,583,018)
Due from related parties	(742,695)	(33,747,242)
Prepaid expenses and other assets	27,300,081	(37,942,849)
Deferred revenues	(2,500,000)	-
Accrued expenses and other liabilities	25,219,074	8,123,637
Cash generated from / (used in) operations	115,565,070	(27,579,394)
End-of-service indemnities paid	(3,920,307)	(1,825,093)
Zakat and income tax paid	(4,744,902)	(7,359,656)
Net cash from / (used in) operating activities	106,899,860	(36,764,143)
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,667,572)	(2,871,875)
Additions to available for sale investments	(921,996,517)	(1,115,058,832)
Proceeds from sale of available for sale investments	1,003,884,030	1,153,390,955
Additions to held for trading investments	(200,000,000)	(87,249,189)
Proceeds from sale of held for trading investments	96,374,107	-
Net cash used in investing activities	(24,405,952)	(51,788,941)
FINANCING ACTIVITIES		
Proceeds from bank facilities	224,996,625	182,946,050
Repayment of bank facilities	(179,997,300)	(2,948,750)
Dividends paid	(84,531,000)	(85,273,500)
Net cash (used in) / from financing activities	(39,531,675)	94,723,800
Net change in cash and cash equivalents	42,962,233	6,170,716
Cash and cash equivalents, beginning of year	62,413,159	56,242,443
Cash and cash equivalents, end of year	105,375,392	62,413,159
Non-cash items:		
Change in fair value of available for sale investments	(124,854,274)	216,748,029
Fair value of available for sale investments transferred to statement of income	(63,575,670)	(101,395,979)

Statement of changes in Shareholders’ Equity
for the year ended December 31st, 2014

	Share capital	Statutory reserve	Change in fair value of investments	Retained earnings	Total
			SR		
January 1, 2013	568,490,000	290,967,929	164,915,655	350,087,040	1,374,460,624
Impairment of investment recognized in statement of income	-	-	15,000,000	-	15,000,000
Change in fair value of available for sale investments	-	-	216,748,029	-	216,748,029
Fair value of available for sale investments transferred to statement of income	-	-	(101,395,979)	-	(101,395,979)
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
Transfer to increase in share capital (Note 14)	284,245,000	-	-	(284,245,000)	-
Impairment of investment recognized in statement of income	-	-	78,529,987	-	78,529,987
Change in fair value of available for sale investments	-	-	(124,854,274)	-	(124,854,274)
Fair value of available for sale investments transferred to statement of income	-	-	(63,575,670)	-	(63,575,670)
Net income	-	-	-	141,600,942	141,600,942
Transfer to statutory reserve	-	14,160,094	-	(14,160,094)	-
Dividends (Note 19)	-	-	-	(85,273,500)	(85,273,500)
Zakat and income tax provision (Note 13)	-	-	-	(6,266,881)	(6,266,881)
December 31, 2014	852,735,000	305,128,023	185,367,748	174,690,068	1,517,920,839

Notes to the Financial Statements
for the year ended December 31st, 2014

1. GENERAL

Jadwa Investment Company (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 852,735,000, is divided into 85,273,500 shares of SR 10 each (refer note 14).

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 consist of equity securities that management intends to hold for more than one year. Available for sale investments are stated at fair value, with unrealized gains and losses taken directly to shareholders’ equity. Fair value is determined by reference to the market value if an active market exists. On de-recognition, any cumulative gain or loss previously recognized in the shareholders’ equity is included in the statement of income.

Where the fair value is not readily determinable, amount of such investments are stated at cost less allowance for impairment value, if any.

A decline in the value of securities below cost is considered to be other-than-temporary if certain conditions have occurred, which indicate continuity of the decline, or through which the nature of the decline can be judged (temporary or not temporary). Such indicators include:

- The inability of the Company to collect all the amounts that are due according to the contractual terms of a security,
- The bankruptcy of the investee,
- Significant financial difficulty of the investee, or

- The existence of an overall decline in the market prices and the period of such decline is prolonged.

Held for trading investments:

Held for trading investments are recorded at fair value. Changes in the fair value are recognized 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 held for trading 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	Shorter of lease term or economic life

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.

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.

Notes to the Financial Statements

for the year ended December 31st, 2014 (continued)

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:

	2014	2013
	SR	
Bank current accounts	92,375,392	31,413,159
Murabaha contracts	13,000,000	31,000,000
	105,375,392	62,413,159

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 0.12 % per annum (December 31, 2013: 0.35% 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:

	2014	2013
	SR	
Accounts receivable	52,361,433	34,883,643
Provision for doubtful receivables	(5,335,177)	(5,335,177)
	47,026,256	29,548,466

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

	2014	2013
	SR	
Opening balance	5,335,177	4,197,811
Provision during the year (Note 17)	-	1,137,366
Closing balance	5,335,177	5,335,177

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 Fund	Initial cost	Change in fair value	Fair value 2014	Fair value 2013
	200,000,000	401,485	200,401,485	88,338,237

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:

	2014	2013
	SR	
Held for trading investment in a managed Saudi Equity Fund (Note 5)	-	88,338,237
Available for sale investments in managed funds (Note 8)	887,069,967	828,523,768
Due from related parties:		
- Asset management fees receivable from managed funds	51,732,140	47,561,477
- Other receivables from managed funds	3,438,794	6,866,762

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

	2014	2013
	SR	
Asset management fees include:		
- fees from managed funds	52,185,200	54,878,096
- fees from managing private DPMs	376,979	392,767
Investment banking income from shareholders in an associate and other related parties	2,500,000	-
Dividends from managed funds	20,254,255	23,830,221
Board of Directors' related expenses (Note 17)	1,600,000	1,200,000
Service fees charged to associate	1,500,000	1,500,000

7. PREPAID EXPENSES AND OTHER ASSETS, NET

	2014	2013
	SR	
Deferred expenses	7,808,124	-
Advance income tax	2,546,607	1,839,543
Loans to employees	1,545,000	1,829,635
Prepaid rent	1,162,135	1,290,486
Advances to employees	1,439,244	1,113,248
Prepaid software maintenance	1,387,752	996,028
Loan to ex-employee (7.1)	890,000	890,000
Prepaid insurance	710,317	716,863
Deposit receivable (7.2)	-	37,508,000
	17,489,179	46,183,803
Provision for doubtful loan to ex-employee	(890,000)	(445,000)
	16,599,179	45,738,803

Notes to the Financial Statements for the year ended December 31st, 2014 (continued)

7-1 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 favor of the Company.

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. Subsequently, during the year ended December 31, 2014 the Company decided not to proceed with the acquisition and received the amount in full during the year. Consequently, the related bank guarantees issued by Albaraka Turk Katilim Bankasi A.S. in favor of the Company were cancelled.

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 recorded in previous years SR	Impairment recognized in statement of income	Fair value 2014	Fair value 2013
	SR					
Open-ended funds	133,700,000	(9,843,306)	-	-	123,856,694	42,728,060
Closed-ended funds	831,250,223	94,347,406	(15,000,000)	(78,529,987)	832,067,642	901,278,035
Equity shares	279,112,813	(56,448,581)	-	-	222,664,232	399,230,538
	1,244,063,036	28,055,519	(15,000,000)	(78,529,987)	1,178,588,568	1,343,236,633

The change in fair value of available for sale investments amounting to SR 28,055,519 is included under shareholders' equity as at December 31, 2014 (December 31, 2013: SR 137,955,476).

During the year, the Company increased its impairment provision on an offshore real estate unlisted investment in a close-ended fund located in the United Kingdom amounting to SR 78,529,987 (2013: SR 15,000,000). The initial cost at the time of investment amounted to SR 127,749,576. This increased impairment provision was determined using valuation techniques for which significant inputs were not based on observable market data.

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

	Initial cost 2014	Fair value 2014	Initial cost 2013	Fair value 2013
	SR			
Beginning balance for the year	1,220,281,157	1,343,236,633	1,127,619,577	1,135,223,003
Additions	921,996,517	797,142,243	1,115,058,832	1,331,806,861
Disposals	(898,214,638)	(1,040,320,295)	(1,022,397,252)	(1,138,793,231)
Impairment recognized in statement of income	-	78,529,987	-	15,000,000
Ending balance for the year	1,244,063,036	1,178,588,568	1,220,281,157	1,343,236,633

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, 2014	17,373,085	12,740,212	4,896,614	4,786,091	395,970	9,503,174	-	49,695,146
Additions	1,270,844	580,297	23,500	110,300	-	-	682,631	2,667,572
Transfers	230,829	236,814	24,748	-	-	-	(492,391)	-
Disposals	-	-	-	-	-	-	-	-
Write-off	(8,999)	-	-	-	-	-	-	(8,999)
December 31, 2014	18,865,759	13,557,323	4,944,862	4,896,391	395,970	9,503,174	190,240	52,353,719
Accumulated depreciation								
January 1, 2014	15,582,686	12,619,663	4,442,364	4,659,471	124,803	7,285,261	-	44,714,248
Charges for the year	543,633	96,341	164,462	60,282	50,000	586,619	-	1,501,337
Disposals	-	-	-	-	-	-	-	-
Write-off	(8,062)	-	-	-	-	-	-	(8,062)
December 31, 2014	16,118,257	12,716,004	4,606,826	4,719,753	174,803	7,871,880	-	46,207,523
Net book value								
December 31, 2014	2,747,502	841,319	338,036	176,638	221,167	1,631,294	190,240	6,146,196
December 31, 2013	1,790,399	120,549	454,250	126,620	271,167	2,217,913	-	4,980,898

During the year 2014, management decided to write-off computer hardware with a net book value of SR 937.

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.

Following is the movement in the investment:

	2014	2013
	SR	
Beginning balance for the year	58,313,667	46,152,513
Share in income for the year	25,618,787	12,161,154
	83,932,454	58,313,667
Share in unrealized gain on revaluation of available for sale investment	157,312,229	157,312,229
Ending balance for the year	241,244,683	215,625,896

Notes to the Financial Statements for the year ended December 31st, 2014 (continued)

As at December 31, 2014, 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, 2013: 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 million for revolving facility and SR 500 million for transaction financing. As at December 31, 2014 an amount of SR 180 million was utilized from the revolving facility (2013: SR 180 million), and SR 45 million from transaction financing (2013: Nil) which is due for repayment on August 27, 2018. These facilities are secured by a promissory note and subject to a commission rate of 2.99 % (2013: 3.37%) and 4.57% respectively as specified in the agreements. The facilities arrangements include certain covenants, which the Company was in compliance with as at December 31, 2014.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014	2013
	SR	
Accrued employees' salaries and related benefits	46,579,654	50,874,343
Accrued project expenses	33,112,042	2,736,678
Accrued commission on short-term loan	2,150,704	1,652,665
Dividends payable (Note 19)	742,500	-
Payable to suppliers	194,101	1,573,758
Provisions and other liabilities	520,017	500,000
	83,299,018	57,337,444

13. ZAKAT AND INCOME TAX

The principal elements of the Zakat base are as follows:

	2014	2013
	SR	
Share capital	568,490,000	568,490,000
Statutory reserve	290,967,929	290,967,929
Retained earnings	337,751,101	264,813,540
Investments	(1,262,376,706)	(1,209,657,350)
Property and equipment	25,313,703	(26,204,379)
Provisions	31,585,877	14,151,809
Adjusted net income	175,925,577	170,072,064
Zakat base	167,657,481	72,633,613

Zakat:

	2014	2013
	SR	
Portion of the Saudi shareholders' adjusted net income/zakat base, whichever is higher (2014: 90 %, 2013: 90%)	158,333,019	153,064,858
Zakat for the year (2.5%)	3,958,325	3,826,621

Notes to the Financial Statements for the year ended December 31st, 2014 (continued)

Income tax:

	2014	2013
	SR	
Portion of adjusted net income for non-Saudi shareholders (2014: 10 %, 2013: 10%)	17,592,558	17,007,206
Income tax for the year (20%)	3,518,512	3,401,441

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

	2014	2013
	SR	
Beginning of year	7,794,402	7,925,996
Provision for the year	7,476,837	7,228,062
Reversal of provision for prior years	(1,209,956)	-
Adjustment for advance payments	(1,839,543)	-
Payment during the year	(4,744,903)	(7,359,656)
Total zakat and income tax	7,476,837	7,794,402

The Company has filed its Zakat and tax returns for the years up to and including the financial year 2013 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 cannot be determined reliably at this stage and consequently no provision was booked for such additional zakat liability as at December 31, 2014. The Zakat and tax return for years 2008 to 2013 are still under review by the DZIT.

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 reserve.

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 were 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. In their Extraordinary General Assembly meeting held on Jumada Al Oula 16, 1435 (corresponding to March 17, 2014), the shareholders of the Company approved the bonus issue, and the relevant provisions of the Company's Bylaws and commercial registration certificate were duly amended.

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

	2014	2013
	SR	
Realized gains on sale of available for sale investments, net	105,669,392	130,993,703
Dividends income	31,028,158	36,414,303
Realized gains on held for trading investments, net	8,035,870	-
Unrealized gains on held for trading investments (Note 5)	401,485	1,089,048
Commission income	68,884	2,254
	145,203,789	168,499,308

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
	SR	
Professional and consulting fees	5,821,164	4,457,566
Subscription fees	4,515,379	4,570,348
Traveling expenses	3,507,059	4,213,708
Maintenance	2,826,384	3,049,386
Contractual labor	2,376,729	2,662,310
Board of Directors' related expenses (Note 6)	1,600,000	1,200,000
Telecommunication	1,563,606	1,550,262
Meeting expenses	733,590	552,718
Printing	658,826	660,205
Withholding taxes	522,923	374,408
Conference expenses	483,937	458,829
Advertisement	476,144	778,935
Utilities	418,530	455,541
Insurance	274,770	422,279
Security expenses	144,000	186,911
Provision for doubtful receivables (Note 4)	-	1,137,366
Others	4,295,750	2,583,387
	30,218,791	29,314,159

18. EARNINGS PER SHARE

Earnings per share from operations for the year are calculated by dividing the income from operations for the year by the weighted average number of shares for the year ended December 31, 2014 and 2013 and amounting to 85.2735 million shares.

Earnings per share from net income for the year are calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2014 and 2013 and amounting to 85.2735 million shares.

19. DIVIDENDS

During 2013, the shareholders in their Annual General Assembly meeting held on Jumada Al Oula 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.

During 2014, the shareholders in their Annual General Assembly meeting held on Jumada Al Oula 16, 1435 (corresponding to March 17, 2014) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1.50 per share.

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 Company and acts as principal and agent, providing custody and clearing services to clients, providing access to regional exchanges.

Asset management services: Jadwa Investment Company 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.

Notes to the Financial Statements for the year ended December 31st, 2014 (continued)

Year ended December 31, 2014	Investment banking services	Brokerage	Asset management services	Corporate	Total
SR					
Revenue	45,959,866	5,934,856	135,208,167	170,822,576	357,925,465
Expenses	(25,635,274)	(3,997,298)	(39,334,974)	(147,356,977)	(216,324,523)
Income / (loss) from operations	20,324,592	1,937,558	95,873,193	23,465,599	141,600,942
Total assets	657,665	661,265	100,433,260	1,748,800,503	1,850,552,693
Total liabilities	43,389,374	364,882	12,648,825	276,228,773	332,631,854
Year ended December 31, 2013					
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 / (loss) 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

21. COMMITMENTS AND CONTINGENCIES

At December 31, 2014, 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 204 million (2013: SR 226.50 million).

22. CLIENTS' CASH ACCOUNTS

At December 31, 2014, the Company was holding clients' cash accounts amounting to SR 865.15 million (2013: SR 496.34 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', private equity funds' and discretionary portfolios' assets related to the funds unit holders managed by the Company, which amount to SR 18.95 billion as at December 31, 2014 (2013: SR 16.37 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 bank loan, accounts payable, zakat and income tax provision and other liabilities. Except as described in note 2 to the financial statements, 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 and cash equivalents, accounts receivable, due from related parties, 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 2014	Gross maximum exposure 2013
SR		
Cash and cash equivalents	105,375,392	62,413,159
Accounts receivables	47,026,256	29,548,466
Held for trading investments	200,401,485	88,338,237
Due from related parties	55,170,934	54,428,239
Loans to employees	1,545,000	1,829,635
Advances to employees	1,439,244	1,113,248
Loan to ex-employee	890,000	890,000
Available for sale investments	955,924,336	944,006,095
	1,367,772,647	1,182,567,079

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.

	2014	2013
SR		
Increase/decrease in basis points +/- 25 bps	482,496	336,570

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.

Notes to the Financial Statements for the year ended December 31st, 2014 (continued)

All liabilities other than end-of-service indemnities and due to a bank 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	2014	Less than 12 months	More than 12 months	2013
SR						
Cash and cash equivalents	105,375,392	-	105,375,392	62,413,159	-	62,413,159
Accounts receivable, net	47,026,256	-	47,026,256	29,548,466	-	29,548,466
Held for trading investments	200,401,485	-	200,401,485	88,338,237		88,338,237
Due from related parties	55,170,934	-	55,170,934	54,428,239	-	54,428,239
Prepaid expenses and other assets	16,599,179	-	16,599,179	45,738,803	-	45,738,803
Available for sale investments	-	1,178,588,568	1,178,588,568	-	1,343,236,633	1,343,236,633
Investment in an associate	-	241,244,683	241,244,683	-	215,625,896	215,625,896
Total assets	424,573,246	1,419,833,251	1,844,406,497	280,466,904	1,558,862,529	1,839,329,433
Short-term loan	179,997,300	44,999,325	224,996,625	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
Accrued expenses and other liabilities	83,299,018	-	83,299,018	57,337,444	-	57,337,444
Zakat and income tax provision	7,476,837	-	7,476,837	7,794,402	-	7,794,402
End-of-service indemnities	-	8,244,124	8,244,124	-	10,305,700	10,305,700
Total liabilities	279,388,405	53,243,449	332,631,854	256,244,396	10,305,700	266,550,096
Net	145,184,841	1,366,589,802	1,511,774,643	24,222,508	1,548,556,829	1,572,779,337

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. CAPITAL REGULATORY REQUIREMENT AND CAPITAL ADEQUACY

The Company's objectives when managing capital are, to comply with the minimum capital requirements set by CMA; to safeguard the Company's ability to continue as a going concern and to maintain an adequate capital base throughout the year.

The Company monitors the capital adequacy and related ratios using the framework established by CMA effective starting January 1, 2013. Accordingly, the Company's Pillar 1 requirement related to Tier capital base, minimum capital requirement and capital adequacy ratio are as follows:

	2014	2013
	SR '000	
Capital Base:		
Tier-1 Capital	1,332,554	1,114,271
Tier-2 Capital	185,367	194,562
Total Capital Base	1,517,921	1,308,833
Minimum Capital:		
Credit Risk	706,941	563,819
Market Risk	41,704	16,865
Operational Risk	43,918	39,686
Total Minimum Capital	792,563	620,370
Surplus Capital	725,358	688,463
Capital Adequacy Ratio %	1.92%	2.11%

Tier-1 Capital: Tier 1 capital of the Company consists of paid up share capital, capital contribution in the form of reserves and audited retained earnings.

Tier-2 Capital: Tier 2 capital of the Company consist of revaluation reserves related to available for sale investments.

Credit Risk: Credit exposures from non-trading activities of the Company is from bank current accounts, Murabaha deposits, short-term investments, available for sale investments, other current receivables, fixed assets and off balance sheet commitments.

Market Risk: Market risk represents the Company's exposure in foreign exchange and trading activities.

Operational Risk: Operational risk arises from inadequate internal processes, people and systems or from external events. The management has computed the operational risk based on the Basic Indicator approach.

Capital Adequacy Ratio: As per the CMA guidelines, the Company is required to maintain a capital base not less than the total minimum capital of the Company. However, the Company is adequately capitalized with surplus capital over and above the minimum capital requirement of the Company.

27. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform with the presentation in the current year.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved on February 26, 2015.

Pillar III Disclosure

Please visit the company website at www.jadwa.com to review the published Pillar III disclosure