

2015

Annual Report



جدوى للإستثمار
Jadwa Investment

سَمَاءُ
الْحَمْدِ
لِلَّهِ



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



His Royal Highness
Prince Mohammad Bin Nayef
Crown Prince, First Deputy Prime Minister,
and Minister of Interior



His Royal Highness
Prince Mohammad Bin Salman
Deputy Crown Prince, Second Deputy Prime Minister,
and Minister of Defense



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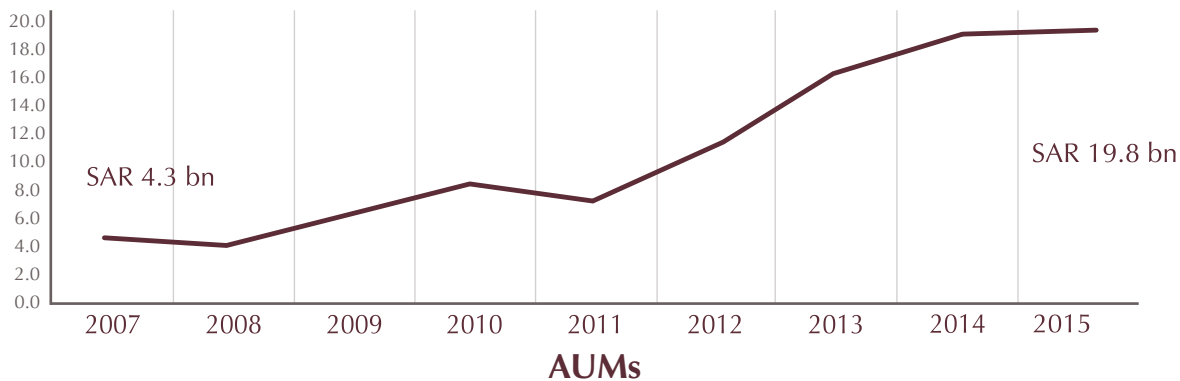
Financing Information

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

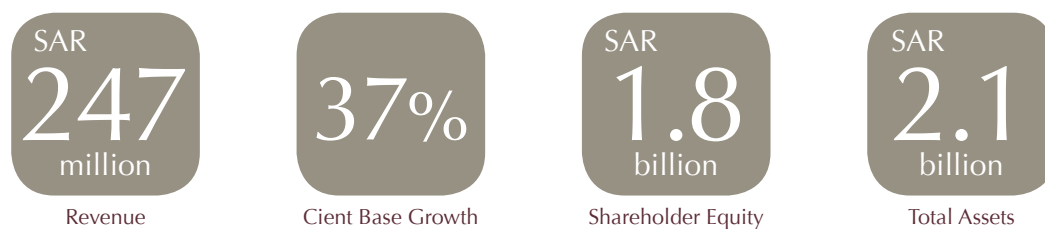
www.jadwa.com

Jadwa Investment by the Numbers

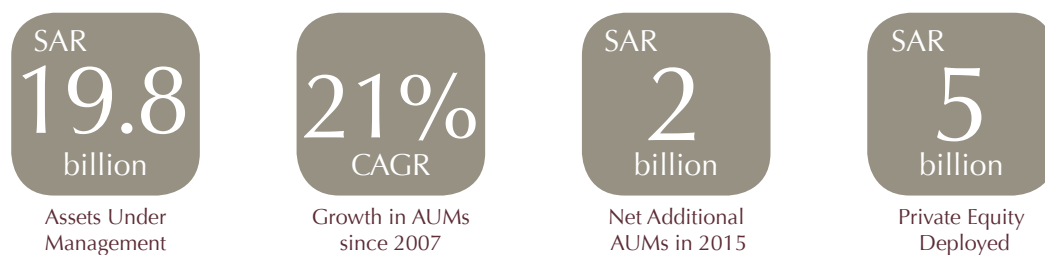
Consistent Growth



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



Howard Marks
Member



Adib Abdullah Alzamil
Chairman of the Board of Directors



Tan Sri Dato' Azman Mokhtar
Member



Abdulrahman Bin Ibrahim
Al-Ruwaita
Member



Iqbal Ahmad Khan
Member



Abdulaziz Bin Mohammed
Al-Subeaei
Member



Michael Powell
Member



Christopher Masterson
Member



Tariq Al Sudairy
Managing Director & CEO

Chairman's Statement

Dear valued shareholders,

I am pleased to present the Annual Report of Jadwa Investment for the fiscal year 2015, on behalf of the Board of Directors.

Despite challenging market conditions last year, the firm maintained its growth momentum and our overall performance continued to be robust. Jadwa generated revenues of SAR 247.5 million and net income of SAR 93.6 million in 2015. These results were achieved through a 39% growth in our core client business, despite a sharp market correction and with no balance sheet capital gains from the stock market. Jadwa's financial performance reflects the health and robustness of the firm's core business, and its growth potential going forward.

The growth in our core client business came in part from raising SAR 2 billion in net additional assets under management (AUMs) from existing and new clients, bringing the total for the year to SAR 19.8 billion across various asset classes. This growth in AUMs is testament to our consistent outperformance relative to the market, and to our clients' continued trust. Once again, we completed the year with our three flagship equity funds – Jadwa Saudi Equity Fund, Jadwa GCC Equity Fund, and Jadwa Arab Markets Equity Fund – all being the best performing funds within their respective categories. In fact, Jadwa's fund was the only Saudi equity fund to deliver positive returns in 2015 relative to an overall market decline of 14.5%.

2015 was also a year in which Jadwa introduced three new private equity and real estate funds, launched its investment management advisory practice, and signed landmark advisory mandates with major institutional clients. Despite high market volatility throughout the year, we have continued to provide differentiated value and strong performance for our clients. Overall, 2015 was a year of growth in a challenging market. It was also a year in which we further strengthened our foundations for continued growth, validated our strategic direction and importantly, achieved a number of important business milestones and accomplishments for the firm.

With these strong results, the Board of Directors is pleased to propose a cash dividend of SAR 1 per share in 2015, equal to 10% of the nominal share value.

Looking forward to 2016, we continue to be confident in Jadwa's prospects and growth momentum. We see strong growth potential in the private sector, especially in industries driven by strong demographic fundamentals, and those benefiting from Saudi Arabia's globally competitive energy cluster. In addition, we expect the government's economic reform, diversification, and privatization program to drive private sector growth in a number of important sectors of the economy. 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.

In conclusion, I would like to express my gratitude to our clients for their continued trust, to our shareholders for their unwavering support and to my fellow board directors for their great insight. I would also like to pay tribute to the hard work and commitment of our professional team who have, once again, driven our business through challenging markets to greater heights.

We look forward to 2016 with optimism and purpose.

Best regards,



Adib Abdullah Al Zamil
Chairman of the Board of Directors



Performance Based on Knowledge

A Conversation with the CEO

2015 was a year of growth in a challenging market environment



Managing Director & Chief Executive Officer's Review

Fiscal Year 2015 was a year of growth in a challenging market environment. Market volatility and changing investment conditions were prevalent throughout the year. Nonetheless, our collective commitment, hard work and resilience helped deliver new business successes and achievements, and re-affirmed Jadwa's position as the premier investment management and advisory firm in Saudi Arabia and the wider region.

While many milestones were delivered during the past 12 months, the most important accomplishment was to continue delivering strong performance and superior returns to clients in the face of significant market decline. This has been at the heart of the Jadwa success story since our inception in 2007, and it gives me great pleasure to report that Fiscal Year 2015 was no exception to this governing rule.

Jadwa's Growth in 2015 – Financial Performance

Throughout 2015, we continued to grow our core client business by deploying a strategy of providing investment products, channels and services that successfully met the needs and aspirations of all our clients – from high net worth individuals and family offices, to large public and private institutions – while maintaining our longstanding track record of investment performance.

These core building blocks supported the execution of our business strategy along multiple dimensions. We continued to hold a leading position in our key business lines, introduced new services and capabilities and broadened the footprint of our product offering across the region.

Off the back of this market leadership position, and set against the backdrop of a challenging market environment, we reported a robust set of financial results for 2015. Jadwa Investment generated total revenues of SAR 247.48 million and net income of SAR 93.57 million in 2015, despite a sharp market correction and in the absence of stock market capital gains for our balance sheet. These financial results were achieved through a 39% growth in our core client business, reflecting the robustness and sustainability of Jadwa's underlying business performance and health.

Jadwa's Growth in 2015 – Business Achievements

Fiscal year 2015 saw Jadwa continue to deliver differentiated and consistent investment performance, expand its client base and sustainably demonstrate value to its clients as well as portfolio companies. Assets Under Management grew to SAR 19.81 billion during the year, reflecting our clients' strong confidence in Jadwa's performance and future trajectory. Despite volatile trading conditions prompted by rapid economic developments and oil price uncertainty, Jadwa expanded its client base across public equity, private equity, real estate and fixed income investments. The Saudi Equity Fund, GCC Equity Fund and Arab Markets Equity Fund all produced market leading returns and collected a series of awards from International publications, including Euromoney, EMEA Finance, Global Investor, Finance Monthly and MENA FM, in recognition of their investment track record in 2015. The ability to navigate superbly well in difficult market environments served us well in the latter half of 2015 and helped us maintain our impressive investment performance for the benefit of our growing number of clients.

Our strong and consistent investment performance was also a key component of once again achieving 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. This recognition from Moody's is a significant endorsement of all that we stand for as a firm, but is also one that we accept with a great sense of responsibility.

2015 was also a significant year for broadening our specialized investment products and advisory services. We successfully concluded two private equity transactions (Saudi Mechanical Industries and Trotters Holdings

Limited), developed our local real estate strategy, and established our first real estate fund in Makkah (Jadwa Alazizia Real Estate Investment Fund). Additionally, we launched our investment management advisory practice, signed a landmark, cross-border investment banking advisory engagement, and continued to secure important and high-profile investment management and advisory mandates. Whether as an active investor through our Private Equity practice or by providing Investment Banking advisory to companies looking to grow inorganically or list on the stock exchange, Jadwa remains the well-placed “Partner of Choice”.

Outlook for 2016

This year's themes of growth, investment performance and innovation reflect the progress that we continue to make in providing our clients with the best products, the best advice and the best service to help them manage their investment needs. As the new financial year unfolds, we will remain committed to this approach. We will continue to focus on delivering superior returns to our asset management clients. We will pursue new investment opportunities in the private equity and real estate space, with particular focus on areas poised to benefit from the government's privatization and economic reform initiatives. We will continue to explore new opportunities provided by our investment banking and investment management advisory practices. We will work to expand our investment offerings to address our local and regional clients' growing demand for a wider range of risk/return profiles. And we will carefully maintain our current capabilities and continue to build on our track record of performance and results.

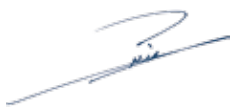
We have built a depth of capabilities and breadth of reach that will keep us at the forefront of the investment industry in 2016. No doubt the global economic pressures we have experienced in 2015, manifested through sustained low oil prices, can provoke further market volatility in the next 12 months. But Jadwa remains well prepared, secure in the knowledge that our robust investment track record and proven agility will allow us to grow with our clients and provide them with the service excellence they have come to expect. By remaining true to our principles of humility and putting our clients' interest at the centre of everything we do, we will maintain a leading position across all of our growing business lines and markets.

Appreciation

As we close one financial year and turn to the next, we are truly grateful for the commitment and support of our shareholders, and for the guidance and insights of our Board of Directors. We are also very appreciative of the valued advice and support of the Capital Market Authority. Of course, our clients always stand at the centre of our firm, and for their partnership and trust we owe them our ongoing gratitude.

To have grown our business in the challenging market conditions of 2015 is testament to the commitment, focus and expertise of our professional team. They will share with me the pride of seeing their hard work and team spirit translate once again into another year of momentum and achievement.

2016 will require the same application and determination to navigate through potentially volatile markets, but we have proven, over the course of the last 12 months, our resilience, our strength and our ability to succeed. These proven qualities and characteristics will continue to serve us well as we strive to further deepen relationships with our clients.



Tariq Al Sudairy
Managing Director & CEO



The Saudi Economy in 2016

Government spending, economic reforms, demographic trends, and energy competitiveness will drive economic performance in 2016



The Saudi Economy in 2016

Oil prices, government spending, domestic business sentiment, the global economy and geopolitical tensions frame the key trends to watch in 2016. The Saudi economy is expected to grow at 1.9 percent, while growth in the non-oil private sector is expected to reach 2.6 percent in 2016.

Moderation in the domestic economy will largely be the result of slower oil sector growth, which will likely reach 0.9 percent in 2016, compared to 3.1 percent in 2015. The slower growth in the oil sector will mainly be due to a marginal rise in oil production following a more pronounced increase of 4.3 percent in 2015. This is likely to be the case as the Kingdom continues to satisfy its growing demand for domestic energy consumption as well as maintain its market share in the global oil market. The non-oil sector will continue to benefit from government spending, corporate lending and solid domestic consumption.

Our view is that the economy will be driven by an accommodative fiscal policy. Total government spending will be equivalent to 48.4 percent of 2016 non-oil GDP, which is consistent with similar episodes of falling oil prices. Budgeted investment spending was cut by 19 percent to SAR 222 billion for 2016. While this is the second consecutive year that the government has reduced its budgeted investment spending, this was anticipated given the revenue shortfall, and the rapid growth in this type of spending over the last ten years, which averaged 25 percent from 2004-2014.

An accommodative budget will remain supportive of positive growth in economic activity. The record outlines a small reduction in the level of spending compared to 2015, down by SAR 20 billion to SAR 840 billion, underscoring 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 likely been kept at elevated levels. This willingness and ability to support the economy will remain important if international and regional events dampen sentiment and create an increasingly difficult economic climate.

The Kingdom has budgeted for a second consecutive fiscal deficit, amounting to SAR 326 billion in 2016, compared with SAR 145 in 2015. Financing this deficit is straightforward in the short-term, as it can be done by drawing down the stock of foreign assets built up in recent years and the financial capacity to issue debt.

At the end of 2015, foreign reserves at SAMA stood at \$612 billion (SAR 2,295 billion). Also, the series of sovereign bond issuance provides the government with more room to continue financing strategic projects. The government will increasingly rely on bonds to finance its future spending, which will result in less FX reserves drawdowns. That said, the 2016 budget statement pointed to both domestic and foreign borrowing options in order to avoid crowding out credit to the private sector.

Lower oil export revenues will result in a larger current account deficit in 2016. The deficit is forecast to reach 12 percent of GDP, up from 6.3 percent of GDP in 2015. In nominal terms, the deficit is expected to reach \$72 billion in 2016.

Growth in all sectors within the non-oil private economy will slow but remain positive. The oil sector, accounting for the largest sector of the economy at 42 percent in real terms at the end of 2015, is forecast to grow at a slower pace owing to a marginal increase in oil production. Similarly, non-oil sectors

Industry recognition for excellence



will continue to grow in 2016, albeit at a slower rate. This includes construction, which is forecast to grow at 2 percent. While contractors are expected to continue being impacted by public investment spending cuts, the sector will likely benefit from stimulated demand from the private sector, and particularly real estate development. The imposition of fees on undeveloped land plots will likely encourage land owners to either develop their plots or to sell them off to real estate developers. This will result in an uptick in construction activity and therefore boost the sector. Electricity, gas and water will not face major spending cuts and will continue to record robust growth over the next year.

The wholesale and retail sector will marginally slow down as price increases to energy products will reduce the average consumer's disposable income, which may result in lower spending on retail products. Nevertheless, the increase in energy prices is expected to have a small impact on consumer spending, since prices of domestic energy products remain among the lowest globally. Non-oil manufacturing is expected to decelerate slightly to 2.6 percent in 2016. It is expected that a significant number of manufacturing plants will commence operations in 2016. Similarly, the telecom and transport sector is expected to grow at 3.3 percent in 2016. Given their correlation to private sector activity, finance, insurance, and business services are projected to grow at 1.8 percent during the year.

New domestic energy prices to push inflation

Inflation is expected to average 3.9 percent during 2016, up from 2.2 percent in 2015. This increase in domestic inflation will be primarily driven by the higher cost of transport and utilities, as well as second-round effects stemming from the recent domestic energy price reforms. Higher energy and transport costs for other businesses are expected to translate into higher prices for consumer

goods, which will put pressure on other components of the CPI basket. That said, the government will likely increase its monitoring of any unjustified increases in prices of basic foodstuffs and commodities. External factors' contribution to inflation will remain subdued, particularly given a strengthening US Dollar and the weaker prospects of global economic growth, leading to a lower cost of imports and foodstuffs.

Excess supply to continue constraining oil prices

Underlying many of our forecasts is the expectation that low prices will continue in 2016. OPEC projections show that non-OPEC supply will decrease by 0.5 million barrels per day (mbpd), year-on-year, in 2016. A number of OPEC member countries are facing financial pain, which could negatively impact their ability to sustain production at current levels. Saudi Arabian crude production averaged 10.2 mbpd in 2015 and is not expected to see any cuts in production to support upward movement in prices going forward.

So far, Saudi Arabia's strategy of maintaining market share has worked, with lower prices undercutting both OPEC and non-OPEC competitors in key markets. The strategy is expected to result in lower levels of oil revenues in the short-term, but will ultimately benefit the Kingdom in the longer term. As production among high-cost non-OPEC producers starts to slow down gradually in response to lower prices, Saudi Arabia will reap a larger share of the market by 2020. For now, Brent is forecast to average \$33/barrel for 2016, while Saudi export prices will likely reach \$30/barrel. In such an environment, 2016 Saudi production is expected to rise only marginally, year-on-year, averaging 10.2 mbpd in 2016.

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 2016.



7 awards in 2015





A Culture of Performance

2015 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

Jadwa Investment – The Firm

Jadwa Investment is a Riyadh-headquartered investment management and advisory firm with assets under management totaling SAR 19.8 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 offices and high-net-worth individuals.

Since our incorporation in 2007, we have built a strong track record in investment management and advisory services. 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 investment management advisory services; and research. Today, we are one of the Kingdom's largest public equity asset managers and the region's top mutual fund performer. We have developed a reputation as the partner best able to deliver differentiated performance to our clients, and best suited to take family businesses to the next phase of institutionalization and growth. We are also recognized for the high quality of our widely read and insightful research reports.

Asset Management

Despite volatile and uncertain market conditions during the year 2015, Asset Management continued to be one of the main drivers of growth for the firm, registering another strong year of performance. The volatility and decline in oil prices and stock markets during the year impacted investor behaviour,

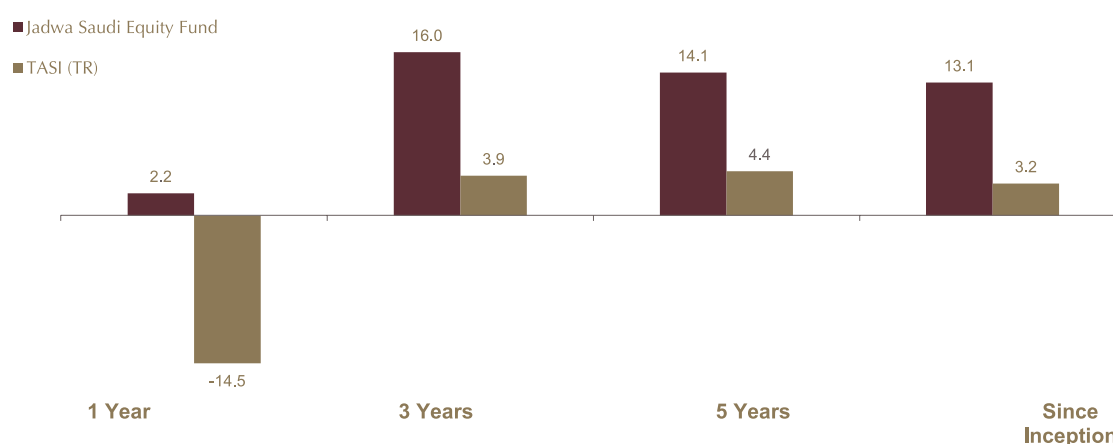
with many adopting conservative investment attitudes. Jadwa's Asset Management team continued to be recognized as a source of insight and knowledge, as it adapted to changing market conditions and made informed choices to deliver significant investment outperformance for its clients.

This was reflected in Jadwa Investment's flagship Saudi, GCC and Arab markets equity funds demonstrating strong performance compared to their respective benchmarks and peer funds across the region. The funds continue to be top performers in the region since their inception in 2007. In fact, Jadwa's Saudi Equity Fund has on average outperformed the Saudi market by 9.9% per year since inception. It is also worth highlighting that while the Saudi stock market was down 15% in 2015, Jadwa's Saudi Equity Fund was up 2%, making it the only broad based Saudi equity fund to deliver positive returns for the year.

This consistent, market-leading performance has further enhanced investor confidence in the firm and has translated into an expanding client base during difficult economic and market conditions over the past 12 months. In fact, the firm was able to grow its assets under management to SAR 19.8 billion across various asset classes during 2015. Institutional investors contributed to almost 60% of this growth, reflecting their confidence in the firm's ability to deliver strong, consistent performance and quality service.

In recognition of the firm's growing reputation and track record of delivering real and distinctive

Since inception, Jadwa Saudi Equity Fund has outperformed the market by 9.9% per annum



value to clients, Moody's has once again reaffirmed our Investment Manager Quality assessment of MQ2, the highest assessment awarded to any asset management firm in the region during 2015. Indeed, this international recognition has accentuated Jadwa Investment's strong and consistent performance and management quality. In addition, our asset management practice received three awards in 2015: EMEA Finance's "Best Asset Manager in Saudi Arabia" and "Best Asset Manager in the Middle East", and The Global Investor's "Regional Asset Manager of the Year 2015".

Private Equity

Fiscal year 2015 was a significant year of continued growth and progress for our private equity practice. With over SAR 5 billion invested in private equity across 9 companies since 2007, the last 12 months have seen Jadwa Investment build further upon its unique track record and credentials in this space. The acquisition of a majority stake in Saudi Mechanical Industries (SMI) at a total fund size of SAR 584 million in March was followed by acquisition of a significant minority stake in Trotters Holdings Limited at a total fund size of SAR 340 million in September. The acquisition of Trotters constituted a major milestone for Jadwa as it represented the firm's first private equity transaction outside Saudi Arabia.

It is important to highlight that most of Jadwa's private equity transactions have been originated and completed on a proprietary and exclusive basis. This recognition of our partners' trust is a true validation of our differentiated track record and value add as a private equity partner. Indeed, this has all consolidated into a recognition of Jadwa as the "Partner of Choice" for family businesses in Saudi Arabia.

Our private equity practice was also recognized with two additional awards in 2015: Finance Monthly's "Private Equity Firm of the Year in Saudi Arabia", and Euromoney's "Best Innovation Award in Islamic Finance".

Real Estate

Building on the firm's track record in the alternative investments space and in line with its growth strategy, Jadwa successfully launched its fourth real estate

fund, the Jadwa Al Azizia Real Estate Investment Fund, in the second half of 2015. The fund is developing pilgrim accommodations in Makkah at a total cost of SAR 440 million, of which SAR 260 million in equity. We see a considerable opportunity in the hospitality sector in Makkah given the government's plans to significantly expand religious tourism over the next five years. The team is also working on a number of new development and income generating real estate opportunities, which will be offered to clients over the next few quarters.

Investment Banking

The trust of clients and the stretch and evolution in performance continues to be the source of growth for our investment banking advisory practice. Of particular note, 2015 saw the signing of a landmark multi-year advisory mandate with a major institutional client in relation to an investment program across multiple asset classes. In addition, our investment banking team continues to be engaged on a number of IPO and M&A advisory mandates with prominent clients across several sectors of the economy.

Investment Management Advisory

As part of Jadwa's aspiration to expand its product and service offering to clients, 2015 saw the launch of our investment management advisory practice in response to clients' requirements. Specifically, this advisory service offers clients customized and comprehensive support in developing and executing their long-term investment strategy across the full range of asset classes and geographies. This includes defining the client's overall asset allocation strategy and governance infrastructure, and then translating this strategy into full and ongoing implementation. This has been an important year of activation on the investment management advisory front and we see significant growth opportunities in 2016.

Investment Operations

Investment Operations continued to support activities related to compliance, fund administration, unit holder's record maintenance, brokerage settlement, client account opening and accounting. In addition, the unit supported investment-related system enhancements, including the Tradenet order management system and Advent Portfolio Management System.

In 2015, Investment Operations managed data processing, subscription and redemption processing, fund accounting, fund administration, MIS and regulatory reporting, dividend processing, custodian-brokerage firm coordination for all discretionary portfolio mandates, open-ended mutual funds, open-ended private funds and private equity/real estate funds. The team additionally managed the accounts of all brokerage clients.

Quality and regulatory compliance are a top priority for the team and translated into all statements being submitted well before the regulatory deadline.

Brokerage

In 2015, the brokerage team continued to provide a reliable and high-quality platform for executing public equity transactions on behalf of our asset management practice and its clients, both within and outside of Saudi Arabia. The enhanced trading system resulted in faster order routing and improved processing capabilities, along with the ability to trade in multiple markets and currencies whilst maintaining cash accounts in a single currency. Most importantly, execution has consistently ensured speed and accuracy, further strengthening investors' confidence.

Information Technology

Information Technology (IT) identified business intelligence as one of its key strategic pillars for 2015, with the aim to provide the firm's management with timely, relevant and accurate information.

Accordingly, the IT team developed a new Business Intelligence Dashboard System that provides an eagle-eye view of the firm's performance as well as a 360 degree view of each client's entire relationship with Jadwa. The system enables efficient internal decision making in general and, most importantly, a quick and informed response to clients' requests. As an active member of the Saudi Stock Market, Jadwa's IT team worked closely with Tadawul to certify the firm's IT systems for the new Stock Market system, Inet-Xstream, and completed a smooth migration to the new system without any interruption to normal business operations.

In addition, security and information protection is a core priority for Jadwa and, as such, a comprehensive annual Disaster Recovery Center (DRC) testing

was conducted this year on the basis of total loss scenarios. In addition, DRC capabilities were expanded to include more team member offices, CCTV security surveillance monitoring, and daily replication of staff workstations, in order to provide staff with full access to their workstation folders and files at DRC location.

The team also conducted the comprehensive annual security and penetration test of all externally exposed systems. In 2015, the tests covered all services, including online trading, the Jadwa website, web email and management solutions.

The strength of the IT system was also further enhanced through several projects, including the expansion of our virtual environment and the upgrade of workstations, which provided increased capacity and performance, longer-lifespan technology and higher cost effectiveness.

Administration

The Administration & Premises team scaled up its capacity and tools to continue offering the highest level of internal services and managing resources responsibly.

Jadwa continued to expand its geographic footprint by setting up a new office in the eastern province of the Kingdom. In addition, the head office premises have been upgraded with renovations to the client reception area.

Shariah

Throughout 2015, the Shariah team continued to support the various business lines in ensuring compliance of all operations with Shariah requirements as well as designing new products and solutions. The Shariah Group has obtained the Annual Shariah Board Statement that confirms the firm's compliance with Shariah guidelines and resolutions.

The department also continued to invest in developing Shariah knowledge and awareness. It issued a number of publications focusing on financial dealings, represented Jadwa in several Islamic banking conferences and workshops, and organized a Shariah workshop for new Jadwa team members to enhance their understanding of the key principles of Islamic banking.

Research

2015 was another strong year for the Research Department. In an environment of falling oil prices, unrest in parts of the region and important government initiatives taking place in the Kingdom, Jadwa Investment continued to satisfy a high demand for quality and insightful research and commentary. Timely analysis of key developments and their implications for Saudi Arabia and Saudi investors was addressed with more than 40 research reports issued throughout the course of the year. Our respected Chief Economist and Head of Research also appeared extensively on television and was frequently quoted across newswires and the print media. The research department also had the opportunity to present at high-profile local and regional conferences. In addition, the Jadwa electronic mailing list has now grown to over 3,500 recipients, with over 45,000 down-loads of our reports via our company website during the course of the year.

Corporate Communications

In Corporate Communications, a number of activities and initiatives were undertaken during the course of a busy year with the purpose of continuing to promote and enhance our strong and influential brand. These ranged from the sponsorship of the Family Owned Business Forum held in Jeddah, and the annual Euromoney Saudi Arabia Conference in Riyadh, to influential coverage in a growing number of local, regional, and global media outlets on timely and relevant news stories and analysis of key economic and investment issues. Further, important third-party endorsement of Jadwa's growing reputation were delivered by leading international publications such as Euromoney, Global Investor and Finance Monthly Magazine, who all bestowed award accolades on the firm for its outstanding performance in 2015.

Legal

The Legal Department continued to provide support and expertise across the full breadth of Jadwa's business activities. The work involved interacting closely with regulatory bodies, and included reviewing and commenting on a wide range of legal documentation, frameworks, and regulations.

Human Resources

The Human Resources Department successfully enhanced the on-boarding experience of new team members of the firm. This remains critical to ensuring a successful and seamless integration of new hires into the firm and directly serves our strategic objective of attracting, retaining and motivating the best talent.

In addition, the department continued to invest heavily in training and development opportunities across the firm to enable team members to acquire the necessary learnings and skills to perform and grow. Over the course of 2015, a total of 44 team members were part of the development program, which addressed core issues of leadership, management, technical education and soft skills, adding up to a total of 1,576 training hours. A further evolution of our approach to training and development will take place during 2016, with the purpose of improving the quality of learning on offer.

Corporate Social Responsibility

Jadwa Investment's corporate social responsibility (CSR) efforts in 2015 focused once again on supporting the national agenda for sustainable development. This entailed building financial expertise among the next generation of Saudi industry leaders and developing significant partnerships with relevant social and philanthropic organizations. The initiatives launched include offering financial literacy programs in partnership with educational and charitable organizations.


A key component of our CSR strategy is maintaining an ongoing internship program in partnership with leading schools in Saudi Arabia. We bring trainees into Jadwa to work alongside our professional team and to acquire the knowledge and learning they need to develop and direct their future careers. In 2015, we welcomed a total of 15 interns who worked for six months in our offices across the full spectrum of business disciplines. This brings the total number of trainees to 63 since the program was established in 2009. Jadwa is also fully committed to providing development opportunities for Saudi women in the workplace, with 27 of the program's participants being female. Reflecting on the validity of the program, 14 of the students who participated as interns subsequently joined the Jadwa team on a permanent basis.

Our Portfolio Companies



Acquisition Year: 2007
Acquisition Stake: 30 percent
Sector: Oil & Gas
Fund: Jadwa Co-Investment Fund (Saudi Lube Oil)
Website: www.luberef.com

Luberef is the only base oil producer in the Kingdom of Saudi Arabia and is a major supplier to lube oil producers. 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 where it satisfies 100% of local demand for Group I base oil, exporting the remaining production around the world. The remaining 70% of Luberef is owned by Saudi Aramco.



Acquisition Year: 2009
Exit Year: 2014
Acquisition Stake: 30 percent
Sector: Food & beverage
Fund: Food and Beverage Opportunity Fund
Website: www.gulf-union.com

Gulf Union Foods Company ("GUFC") 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.

Jadwa's Food and Beverage Opportunity Fund fully exited its 30 percent stake in GUFC through a trade sale of 51% of GUFC to Olayan Financing Company in July 2014



Acquisition Year: 2010
Acquisition Stake: 49 percent
Sector: Electronics & appliances
Fund: Jadwa Technology Special Opportunity Fund
Website: www.umg.com.sa

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) and is the leading, non-exclusive distributor of Samsung handheld devices in Saudi Arabia. The company operates 31 showrooms, 22 warehouses with a total area of approximately 110,000 m2 and more than 200 distribution fleet of vehicles with a staff consisting of over 800 employees. In addition, UMG has a retail presence of 5 megastores across Saudi Arabia through Electro, a 100% owned subsidiary.



Acquisition Year: 2011
Acquisition Stake: 49 percent
Sector: Building materials
Fund: Jadwa Building Materials Opportunity Fund
Website: www.zamilco.com

Al Zamil Co. for Industry, Trade, & Transport is a Riyadh-based limited liability 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, with approximately a 25% market share. Production is supported by a UK-based R&D center that develops new product offerings and proprietary formulations exclusively for the Company.



Acquisition Year: 2012
Acquisition Stake: 35 percent
Sector: Hospitality & entertainment
Fund: Jadwa Tourism & Hospitality Opportunity Fund
Website: www.alhokair.com

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 4,360 employees and plays a leading role in entertainment, leisure and tourism. The Group's portfolio includes 33 hotels across 12 cities, with more than 3,900 rooms and 64 entertainment centers in KSA and UAE attracting 8.7 million visitors. Jadwa Tourism & Hospitality Opportunity Fund exited 30% of its stake in June 2014 during a secondary IPO of the Al Hokair Group on the Saudi Stock Exchange (Tadawul).



Acquisition Year: 2012
Acquisition Stake: 30 percent
Sector: Healthcare
Fund: Jadwa Healthcare Opportunities Fund
Website: www.alhammadi.com

With a history that dates back thirty years, Al Hammadi is one of the pioneers in the Saudi private healthcare sector. Al Hammadi established its first hospital in the Olaya district of Riyadh in 1985 with a modest capacity of 50 beds and 12 outpatient clinics. The Company has now evolved into a leading private healthcare services provider in Riyadh with 728 beds and 138 outpatient clinics across two hospitals in Riyadh. The Company is currently working on completing its exciting expansion plan, which includes opening a third hospital in Riyadh which will increase its capacity to 1,328 beds and over 200 outpatient clinics by the end of 2016.

Our Portfolio Companies



Acquisition Year: 2014
Acquisition Stake: 100 percent
Sector: Industrial waste management
Fund: Jadwa Waste Management Opportunities Fund
Website: www.gems-ksa.com

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, as well as the trading of recycled oil products. 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.



Acquisition Year: 2015
Acquisition Stake: 56 percent
Sector: Industrial Manufacturing
Fund: Jadwa Mechanical Opportunities Fund
Website: www.smi.com.sa

Saudi Mechanical Industries Company is a Riyadh based Company established in 1982 to manufacture fluid flow and control equipment in KSA. SMI has grown its operations to become a leading engineering company engaged in manufacturing a variety of products including engineering components, pumps, gear drives, and steel and bronze bars for use in a broad array of industries including oil & gas, infrastructure, automotive, agriculture and mining. Today, SMI employs over 800 professionals, working with more than 290 clients across Saudi Arabia, United States, Europe, and the MENA region.



Acquisition Year: 2015
Acquisition Stake: 37 percent
Sector: Petrochemical Re-refining
Fund: Jadwa Refining Opportunities Fund
Website: www.trottersgroup.com

Trotters Holdings Limited, headquartered in the UAE, is an integrated petrochemical by-products and used lube oil processing, trading and logistics company. Through its advanced facilities, Trotters transforms petrochemical by-products and used lube oil into value added products that are used in numerous industries including construction, pharmaceuticals and textiles. The company employs a versatile team of professionals, including scientists and researchers, engineers and marketing professionals, working together to serve international clients worldwide.







Shariah Supervisory Board Annual Statement

We aspire to be the Journey Partner of choice, and to build a successful and sustainable firm rooted in Islamic values. Our Business Principles provide the foundation for us to achieve our aspirations

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 2015

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

المجموعة الشرعية
Shariah Group

جدوى للإستثمار
Jadwa Investment



In the name of Allah the Most Gracious the Most Merciful

SHARIAH SUPERVISORY BOARD

(Annual Shariah Statement for the Year 2015)

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

To Jadwa Investment Shareholders:

Assalamualaikum warahmatullahi wabarakatuh

After we have reviewed the annual Shariah audit report, which confirms the company's commitment to Shariah resolutions, and the annual financial statement for the company for the year 2015, the Shariah board is of the opinion that:

1. All contracts and agreements that Jadwa has entered into during the year 2015, and brought to our attention, were Shariah compliant.
2. Profits and losses charged to the investment account are consistent with the rules that the Shariah board had approved, and therefore are shariah compliant.
3. Income received from prohibited sources was disposed of through distribution to charitable purposes.

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

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

Board Members

Dr. Abdullah Al Mutiaq

Chairman

Dr. Mohammad Elgari

Member

Bader Abdulaziz Alomar

Member

Ahmad Abdulrahman Algaidy

Secretary & Member



جدوى للاستثمار
Jadwa Investment





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 related rules and regulations from the authorities in the Kingdom of Saudi Arabia. Jadwa has fulfilled and complied with the requirements in relation to the establishment of the Board's committees, independence of the Board of Directors and the implementation of the Corporate Governance infrastructure 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	Committed
1	Formation of the Board of Directors to include independent members.		✓
2.	Issue the Annual Report included:		✓
2.1	Description of key activities, planning and important decisions such as re-structure, expansion or suspension of operations.		✓
2.2	Financial results and comments of the auditor, if any.		✓
2.3	Names of companies which the Board Member is a member of the Board of Directors, formation of the Board of Directors and its classification.		✓
2.4	Summary of description of the jurisdictions of the key Board Committees and its functions, names of the chairman and members and the number of meetings.		✓
2.5	Details of remuneration and compensation paid by the company to the Board Members, 5 Senior Executives who received highest remuneration in addition to them the CEO and the CFO, if they were not included.		✓
2.6	Any penalty, sanction or reserve restriction imposed by the CMA or any other supervisory, judicial or regulatory authority*	<ul style="list-style-type: none"> • The firm has been fined for an amount of SAR 90,000 for not fully complying with the article 21 and appendix 3 of the prudential rules. • The firm has been fined for an amount of SAR 10,000 for not updating its annual financial disclosures for the Jadwa Arabs Equity Markets of year 2011. 	✓
2.7	The result of annual audit for the activation of the internal control procedures of the company.		✓
3	Establishment of Governance Structure to include:		
3.1	Define the procedures and restrictions of the Board of Directors membership and its responsibilities and functions.		✓
3.2	Define the authorities of the Board of Directors and the executive management.		✓
3.3	Develop professional code of conduct of the staff.		✓
3.4	Form the supervisory committees.		✓

Board of Directors' membership in other companies

	Name	Committee	Membership in other companies
1	Mr. Adib Alzamil	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital, Dubai – Chairman of the Board • SANABIL (Saudi Arabian Investment Company) - Board Member • Zamil Industrial Investment Co. (ZIIC) (Saudi Joint Stock Company) – Board Member • Zamil Group Holding Company – Board Member
2	Mr. Abdulaziz Alsubeaei	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Bank Islam Brunei Dar-ul-Islam (BIBD) - Board Member • Fajr Capital - Board Member • Farabi Petrochemical Co. Limited - Board Member • Jabal Omar Development Co. - Chairman of the Board of Directors. • Mohammed Ibrahim Al-Subeaei & Sons Investment Holding CO. (MASIC) - Board Member • National Aquaculture Group (NAQUA) – Board Member • Saudi Mechanical Industries Co – Chairman of the Board of Directors.
3	Mr. Abdulrahman Alrowaita	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • AlEssa Industries – Director • Al Khozama Management Company – Director • Amlak International – Director • Aseer Trading, Tourism & Manufacturing Co – Managing Director • Emaar – Director • Halawani Bros. Company – Chairman of the Board
4	Tan Sri Dato' Azman Mokhtar	<ul style="list-style-type: none"> • Non-Independent • Non-Executive 	<ul style="list-style-type: none"> • Agrifood Resources Holdings Sdn Bhd – Director • Axiata Group Berhad, Malaysia - Chairman of the Board of Directors • Iskandar Investment Berhad, Malaysia - Chairman of the Board of Directors • Khazanah Nasional Berhad - Director • PEMANDU Corporation - Director
5	Mr. Christopher Masterson	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Fajr Capital Ltd • Havenvest Private Equity Middle East Management III Limited • Havenvest Private Equity Middle East Management Limited • Havenvest Private Equity Middle East Management II Ltd • Havenvest Private Equity Middle East • MLLP Holdings Limited • MML II Limited • Montagu Holdings Limited • Montagu Management Limited • Montagu Private Equity LLP • MPE Associateco Limited • The MPE Discretionary Management Partnership • MPE G.P. (Scotland) Limited • MPE G.P. Limited • MPE K.G.P. Limited
6	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 • Sies Marjan – Director • Topor & Co. – Director
7	Mr. Iqbal Khan	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • Bank Islam Brunei Darussalam, Brunei - Board Member • Fajr Capital, UAE - Board Member • GEMS Education (MENASA) – Board Member • MENA Infrastructure, UAE - Board Member • National Petroleum Services – Board Member • Tamar Energy - Member of the Advisory Board
8	Mr. Michael Powell	<ul style="list-style-type: none"> • Independent • Non-Executive 	<ul style="list-style-type: none"> • E-Circuit Motors – Board Member • Exogenesis Corporation, USA - Board Member • Erudine Financial Ltd, UK. – Director • Fajr Capital - Board Member • FinEx Capital Management LLP, UK – Board Member • Thematic Capital Partners LLP, UK - Chairman of the Board of Directors • Passport Systems Inc., USA – Director
9	Mr. Tariq Al-Sudairy	<ul style="list-style-type: none"> • Non-Independent • Executive 	<ul style="list-style-type: none"> • Abdulmohsen Al-Hokair Group for Tourism and Development Company - Board Member • Alrajhi Alpha Investment Holding Company - Board Member • Naba Educational Company - Board Member • Saudi Aramco Base Oil Company (Luberef) - Board Member • The Saudi Stock Market Exchange (Tadawul) – Board Member

During 2015 the Board has conducted four meetings:

Meeting	Date	Attendees
1 Board Meeting No. 26	31/03/2015	Mr. Adib Al Zamil Mr. Abdulaziz Alsubeaei Tan Sri Dato' Azman Mokhtar Mr. Christopher Masterson Mr. Michael Powell Mr. Tariq Al-Sudairy
2 Board Meeting No. 27	08/06/2015	Mr. Adib Alzamil Mr. Abdulrahman Alrowaita Mr. Christopher Masterson Mr. Howard Marks Mr. Iqbal Khan Mr. Michael Powell Mr. Tariq Al-Sudairy
3 Board Meeting No. 28	14/10/2015	Mr. Adib Al Zamil Mr. Abdulaziz Alsubeaei Mr. Abdulrahman Alrowaita Tan Sri Dato' Azman Mokhtar Mr. Howard Marks Mr. Iqbal Khan Mr. Michael Powell Mr. Tariq Al-Sudairy
4 Board Meeting No. 29	15/12/2015	Mr. Adib Al Zamil Mr. Abdulaziz Alsubeaei Mr. Abdulrahman Alrowaita Tan Sri Dato' Azman Mokhtar Mr. Christopher Masterson Mr. Iqbal Khan Mr. Michael Powell Mr. Tariq Al-Sudairy

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 firm, assists the Board of Directors in handling specific matters, and ensures that proper monitoring systems are in place. The committee held four meetings in 2015.

INVESTMENT COMMITTEE			Members' Classifications
1	Mr. Michael Powell	Chairman	Independent board member, non-executive
2	Mr. Mazen Al-Jubair	Member	Independent external member, non-executive
3	Mr. Tariq Al-Sudairy	Member	Non-independent board member, executive
4	Mr. Abdulaziz Alarifi	Member	Executive
5	Mr. Amer Afioni	Member	Executive
6	Mr. Saad Alsaif	Member	Executive
7	Mr. Zaheeruddin Khalid	Member	Executive
8	Mr. Rashad Pablo Jr	Secretary	Executive

The Investment Committee ensures that the investment of Jadwa's capital is conducted in accordance with the Proprietary Investment Program, continuously monitors the overall investment performance of the firm's capital, and recommends changes as appropriate. The committee held five meetings in 2015.

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	

The Audit & Risk Committee reviews Jadwa's financial reporting processes to ensure accuracy and proper disclosure, and ensures that the firm has proper internal audit, risk management, and control systems. The committee held five meetings in 2015.

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

The Remuneration & Nomination Committee oversees Jadwa's strategies and policies in relation to the recruitment, reward, retention, motivation, and career development of the firm's team members. The committee held four meetings in 2015.

COMPLIANCE COMMITTEE			Members' Classifications
1	Mr. Abdulaziz Alsubaei	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. Mohammed Alobaid	Member	Executive
5	Mr. Rami Alshedi	Member	Executive
6	Mrs. Lamia Alhumaid	Secretary	

The Compliance Committee oversees Jadwa's implementation of all applicable laws and regulations, with the aim to ensure full compliance, minimize legal and regulatory risk, and enforce the highest ethical standards. The committee held four meetings in 2015.

BOARD & EXECUTIVE REMUNERATION FOR THE YEAR 2015

Statement	Executive Members	Non-Executive/ Independent	Five Senior Executives who received highest remuneration in addition to the CEO and CFO if they are not among them
Salaries and reimbursements	None	None	6,278,628
Allowances	12,000.00	272,500	3,191,285
Annual bonuses		1,600,000	6,920,000
Incentive plans	None	None	The Company provides long term incentive programs. The value of these programs is not determined upfront as it is linked to the future performance of the Company
Any other compensation or benefit paid on a monthly or annual basis	None	None	None

Annual Audit Assessment of the Effectiveness of the Company's Internal Control Procedures

Jadwa Investment's Internal Audit Department is an independent auditing and consulting function that reports directly to the Board through the Audit & Risk Committee. The department is responsible for evaluating the adequacy and effectiveness of the Company's internal control procedures, including financial, operational, compliance, and regulatory controls. During 2015, Internal Audit adopted a risk-based approach, where the results of the Enterprise Risk Assessment were utilized to assess the effectiveness of key controls across seven departments. In addition, Internal Audit performed a follow-up review of six departments in relation to all open items. As part of that, Internal Audit obtained the approval of the Audit & Risk Committee to engage Ernst & Young for the purpose of executing its audit reviews. Internal Audit also submitted quarterly reports to the Audit & Risk Committee and CEO regarding the department's activities, findings, and recommendations.

The Board Acknowledgment

The Board of Directors acknowledges that there were no contracts or businesses related to the Company during the fiscal year 2015, in which any member of the Board, the CEO, the CFO or any Related Person had any interest.



Financial Statements and Independent Auditor's Report





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License No. 49/1/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of **Jadwa Investment Company**
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Jadwa Investment Company** (the Company) which comprise the balance sheet as at 31 December 2015 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended and the attached notes (1) through (30) which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and Company's by-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

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 comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements taken as a whole:

- 1) present fairly, in all material respects, the financial position of **Jadwa Investment Company** as at 31 December 2015, and of its results of operations and its cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Company; and
- 2) comply with the requirements of the Regulations for Companies and the Company's by-laws with respect to the preparation and presentation of the financial statements.

For **KPMG Al Fozan & Partners**
Certified Public Accountants

Khalil Ibrahim Al Sedai
License No. 371



Riyadh on 27 Jumada'I 1437H
Corresponding to: 07 March 2016

Balance Sheet as at December 31st, 2015

	Notes	2015	2014
ASSETS			
		SR	
Current assets			
Cash and cash equivalents	4	67,573,709	105,375,392
Accounts receivable, net	5	39,142,387	45,526,256
Held for trading investments	6	287,688,446	200,401,485
Due from related parties	7	121,158,442	56,670,934
Loan to equity-accounted investee	7	2,520,321	-
Prepaid expenses and other assets, net	8	13,942,257	16,599,179
Total current assets		532,025,562	424,573,246
Non-current assets			
Available-for-sale investments	9	1,370,074,695	1,178,588,568
Property and equipment, net	10	6,966,362	6,146,196
Equity-accounted investee	11	234,863,043	241,244,683
Total non-current assets		1,611,904,100	1,425,979,447
TOTAL ASSETS		2,143,929,662	1,850,552,693
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowing	12	238,400,000	179,997,300
Accounts payable		8,889,971	8,615,250
Accrued expenses and other liabilities	14	75,920,167	83,299,018
Zakat and income tax provision	15	6,349,831	7,476,837
Total current liabilities		329,559,969	279,388,405
Non-current liabilities			
Long-term borrowing	13	44,999,325	44,999,325
End-of-service indemnities		10,837,108	8,244,124
Total non-current liabilities		55,836,433	53,243,449
TOTAL LIABILITIES		385,396,402	332,631,854
Shareholders' equity			
Share capital	1, 16	852,735,000	852,735,000
Statutory reserve	17	314,484,700	305,128,023
Change in fair value of investments	9, 11	425,904,952	185,367,748
Retained earnings		165,408,608	174,690,068
Total shareholders' equity		1,758,533,260	1,517,920,839
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,143,929,662	1,850,552,693

Statement of Income for the year ended December 31st, 2015

	Notes	2015	2014
Revenues		SR	
Asset management		190,225,961	135,208,167
Investment banking		63,979,817	45,959,866
Brokerage		6,753,521	5,934,856
(Loss)/income from proprietary investments, net	18	(7,100,653)	145,203,789
Share in net (loss)/income of equity-accounted investee	11	(6,381,640)	25,618,787
Total revenues		247,477,006	357,925,465
Expenses			
Salaries and other employee related benefits		(105,683,185)	(95,234,885)
Depreciation	10	(1,888,538)	(1,501,337)
Rent expenses		(4,233,117)	(4,188,534)
Special commission expense on borrowings		(7,837,461)	(6,650,989)
Other general and administrative expenses	19	(34,267,933)	(30,218,791)
Total expenses before impairment on investments		(153,910,234)	(137,794,536)
Net income before impairment on investments		93,566,772	220,130,929
Impairment of investments	9	-	(78,529,987)
NET INCOME		93,566,772	141,600,942
Earnings per share:			
Net income	20	1.10	1.66

Statement of Cash Flows for the year ended December 31st, 2015

	2015	2014
OPERATING ACTIVITIES		
Net income	93,566,772	141,600,942
Adjustments for:		
Share in loss/(income) of an associate	6,381,640	(25,618,787)
Depreciation	1,888,538	1,501,337
End-of-service indemnities	4,072,895	1,858,731
Provision for doubtful debts	48,524	-
Realized loss/(gain) on sale of available-for-sale investments	19,788,316	(105,669,392)
Unrealized gains on held for trading investments	(2,286,961)	(401,485)
Realized gains on sale of held for trading investments	-	(8,035,870)
Impairment on investments	-	78,529,987
Write-off of property and equipment	-	937
Changes in operating assets and liabilities:		
Accounts receivable	7,390,348	(15,977,790)
Due from related parties	(65,987,508)	(2,242,695)
Prepaid expenses and other assets	555,314	27,300,081
Deferred revenues	-	(2,500,000)
Accrued expenses and other liabilities	(7,104,128)	25,219,074
Cash generated from / (used in) operations	58,313,750	115,565,070
End-of-service indemnities paid	(1,479,911)	(3,920,307)
Zakat and income tax paid	(6,798,454)	(4,744,902)
Net cash from / (used in) operating activities	50,035,385	106,899,860
INVESTING ACTIVITIES		
Purchase of property and equipment	(2,708,704)	(2,667,572)
Additions to available-for-sale investments	(455,289,370)	(921,996,517)
Proceeds from sale of available-for-sale investments	484,552,127	1,003,884,030
Additions to held for trading investments	(485,000,000)	(200,000,000)
Proceeds from sale of held for trading investments	400,000,000	96,374,107
Net cash used in investing activities	(58,445,947)	(24,405,952)
FINANCING ACTIVITIES		
Proceeds from bank facilities	238,400,000	224,996,625
Repayment of bank facilities	(179,997,300)	(179,997,300)
Loan to equity-accounted investee	(2,520,321)	-
Dividends paid	(85,273,500)	(84,531,000)
Net cash (used in) / from financing activities	(29,391,121)	(39,531,675)
Net change in cash and cash equivalents	(37,801,683)	42,962,233
Cash and cash equivalents, beginning of year	105,375,392	62,413,159
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	67,573,709	105,375,392
Non-cash items:		
Change in fair value of available for sale investments	220,748,887	(82,760,552)
Fair value of available for sale investments transferred to statement of income	19,788,317	(105,669,392)

Statement of changes in Shareholders' Equity for the year ended December 31st, 2015

	Share capital	Statutory reserve	Change in fair value of investments	Retained earnings	Total
			SR		
Balance as at 1 January 2014	568,490,000	290,967,929	295,267,705	423,034,601	1,577,760,235
Transfer to increase in share capital (Note 16)	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	-	-	(82,760,552)	-	(124,854,274)
Fair value of available for sale investments transferred to statement of income (Note 18)	-	-	(105,669,392)	-	(63,575,670)
Net income	-	-	-	141,600,942	141,600,942
Transfer to statutory reserve	-	14,160,094	-	(14,160,094)	-
Dividends (Note 21)	-	-	-	(85,273,500)	(85,273,500)
Zakat and income tax provision (Note 15)	-	-	-	(6,266,881)	(6,266,881)
Balance as at 31 December 2014	852,735,000	305,128,023	185,367,748	174,690,068	1,517,920,839
Balance as at 1 January 2015	852,735,000	305,128,023	185,367,748	174,690,068	1,517,920,839
Change in fair value of available-for-sale investments	-	-	220,748,887	-	220,748,887
Fair value of available-for-sale investments transferred to statement of income (Note 18)	-	-	19,788,317	-	19,788,317
Net income	-	-	-	93,566,772	93,566,772
Transfer to statutory reserve	-	-	-	(9,356,677)	-
Dividends (Note 21)	-	9,356,677	-	(85,273,500)	(85,273,500)
Zakat and income tax provision - current year (Note 15)	-	-	-	(5,185,180)	(5,185,180)
Zakat and income tax provision - prior year (Note 15)	-	-	-	(3,032,875)	(3,032,875)
Balance as at 31 December 2015	852,735,000	314,484,700	425,904,952	165,408,608	1,758,533,260

Notes to the Financial Statements for the year ended December 31st, 2015

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 19 February 2007).

The share capital of the Company, amounting to SR 852,735,000 (31 December 2014: 852,735,000), is divided into 85,273,500 shares (31 December 2014: 85,273,500 shares) of SR 10 each (Note 15).

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. BASIS OF PREPERATION

Statement of compliance:

The financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis of measurement:

The financial statements have been 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; using the accrual basis of accounting and the going concern concept.

Functional and presentation currency:

These financial statements are presented in Saudi Riyals (SR), which is the functional and reporting currency of the Company.

Use of estimates and judgements:

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Account Receivables:

These are stated at original invoice amount less provisions made

for doubtful debts, if any. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

Available-for-sale investments:

Available-for-sale investments consist of equity securities that management intends to hold for more than one year. These are initially recognized and subsequently re-measured 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.

Unrealized gains and losses on held for trading investments comprise of changes in the fair value of the investments for the year and from reversal of prior period's unrealized gains and losses for the investments which were realized in the reporting period.

Realized gains and losses on held for trading investments at disposal are determined on average cost basis. They represent the difference between an investment's initial carrying amount and sale price.

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.

Investments 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. Associates are accounted for using the equity method (equity-accounted investee) and are initially recognized at cost. The financial statements include the Company's share of income and losses and equity movement of the equity-accounted investee. When the Company's share of loss exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is accounted for as liability to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company's share of profits or losses of the investee company is credited or charged to statement of income.

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:

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 income is recognized when the right to receive dividend is established.

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 ("DZIT") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base. An estimate of Zakat arising therefrom 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, 2015 (continued)

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include bank current accounts and Murabaha contracts with original maturities of less than three months from the acquisition date:

	2015	2014
	SR	
Bank current accounts	22,562,031	92,375,392
Murabaha contracts	45,011,678	13,000,000
	67,573,709	105,375,392

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 0.10 % per annum (31 December 2014: 0.12% per annum).

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

5. ACCOUNTS RECEIVABLE, NET

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

	2015	2014
	SR	
Accounts receivable	44,306,088	50,641,433
Provision for doubtful receivables	(5,163,701)	(5,115,177)
	39,142,387	45,526,256

The following is the movement in the provision for doubtful receivables for the year ended 31 December:

	2015	2014
	SR	
Opening balance	5,115,177	5,115,177
Provision during the year (Note 19)	48,524	-
Closing balance	5,163,701	5,115,177

6. HELD FOR TRADING INVESTMENTS

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

	2015		2014	
	SR			
Open-ended Saudi Fund	cost	fair value	cost	Fair value
	285,000,000	287,688,446	200,000,000	200,401,485

7. RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of its shareholders, associated and affiliated companies, directors and key management personnel of the Company. These transactions are carried out on mutually agreed terms approved by the management of the Company.

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:

	2015	2014
	SR	
Available-for-sale investments in managed funds	1,263,151,505	887,069,967
Loan to equity-accounted investee (a)	2,520,321	-
Due from related parties:		
- Fees receivable from managed funds	99,453,857	51,732,140
- Other receivables from managed funds	20,204,585	3,438,794
- Service fee receivable from equity-accounted investee (b)	1,500,000	1,500,000
	121,158,442	56,670,934

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

	2015	2014
	SR	
Asset management fees include:		
- fees from managed funds	77,126,739	52,185,200
- fees from managing private DPMs	-	376,979
Investment banking income from related parties	-	2,500,000
Dividends from managed funds	9,283,147	20,254,255
Board of Directors' related expenses (c)	3,000,000	1,600,000
Service fees charged to equity-accounted investee (b)	1,500,000	1,500,000

(a) Profit-free loan to an equity-accounted investee for payment of financial charges on its bank borrowing. This loan does not have a fixed maturity.

(b) Fee charged and receivable from equity-accounted investee for providing management services.

(c) Annual fee paid to board members amounting to SR 375,000 each (2014: SR 200,000).

8. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

	2015	2014
	SR	
Deferred expenses	6,518,452	7,808,124
Advance income tax	2,870,415	2,546,607
Loans to employees	-	1,545,000
Prepaid rent	1,192,038	1,162,135
Advances to employees	973,414	1,439,244
Prepaid software maintenance	1,587,117	1,387,752
Prepaid insurance	13,942,257	710,317
	13,942,257	16,599,179

Notes to the Financial Statements for the year ended December 31st, 2015 (continued)

9. AVAILABLE FOR SALE INVESTMENTS

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

	Initial cost	Change in fair value	Impairment recorded in previous years	Fair value 2015	Fair value 2014
SR					
Open-ended funds	315,450,000	(7,562,922)	-	307,887,078	123,856,694
Closed-ended funds	832,367,138	282,828,312	(93,529,987)	1,021,665,463	832,067,642
Equity shares	47,194,821	(6,672,667)	-	40,522,154	222,664,232
	1,195,011,959	268,592,723	(93,529,987)	1,370,074,695	1,178,588,568

The change in fair value of available-for-sale investments amounting to SR 268,592,723 is included under shareholders' equity as at 31 December 2015 (31 December 2014: SR 28,055,519).

The following is the movement of cost and fair value of available-for-sale investments for the year ended 31 December:

	2015	2014
SR		
Costs		
Balance at beginning of the year	1,244,063,036	1,220,281,157
Additions	455,289,370	921,996,517
Disposals	(504,340,447)	(898,214,638)
Balance at end of the year	1,195,011,959	1,244,063,036
Fair value adjustment		
Balance at beginning of the year	28,055,519	137,955,476
Unrealized gain/(loss) during the year	220,748,887	(82,760,552)
Realized gain/loss on disposal	19,788,317	(105,669,392)
Impairment recognized in statement of income	-	78,529,987
Balance at end of the year	268,592,723	28,055,519
Impairment	(93,529,987)	(93,529,987)
Fair Value	1,370,074,695	1,178,588,568

10. PROPERTY AND EQUIPMENT, NET

	Computer hardware	Computer software	Furniture and fixtures	Office equipment	Motor vehicles	Leasehold improvements	Capital work in progress	Total
SR								
Cost								
Balance as at 1 January 2015	18,865,759	13,557,323	4,944,862	4,896,391	395,970	9,503,174	190,240	52,353,719
Additions	920,748	42,333	448,330	76,930	-	1,041,672	178,691	2,708,704
Transfers	-	190,240	-	-	-	-	(190,240)	-
Disposals	(76,129)	-	-	(245,003)	-	-	-	(321,132)
December 31, 2015	19,710,378	13,789,896	5,393,192	4,728,318	395,970	10,544,846	178,691	54,741,291
Accumulated depreciation								
Balance as at 1 January 2015	16,118,257	12,716,004	4,606,826	4,719,753	174,803	7,871,880	-	46,207,523
Charges for the year	838,266	280,657	231,861	88,428	50,000	399,326	-	1,888,538
Disposals	(76,129)	-	-	(245,003)	-	-	-	(321,132)
Balance as at 31 December 2015	16,880,394	12,996,661	4,838,687	4,563,178	224,803	8,271,206	-	47,774,929
Net book value								
December 31, 2015	2,829,98	793,235	554,505	165,140	171,167	2,273,640	178,691	6,966,362
December 31, 2014	2,747,502	841,319	338,036	176,638	221,167	1,631,294	190,240	6,146,196

11. EQUITY-ACCOUNTED INVESTEE

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 share capital of SAR 500,000. The Associate is accounted for under the equity method.

Following is the movement in the investment for the year ended 31 December

	2015	2014
SR		
Beginning balance for the year	83,932,454	58,313,667
Share in income for the year	(6,381,640)	25,618,787
	77,550,814	83,932,454
Share in unrealized gain on revaluation of available for sale investment	157,312,229	157,312,229
Ending balance for the year	234,863,043	241,244,683

As at 31 December 2015, the Company's 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 (31 December 2014: SR 157,312,229).

Notes to the Financial Statements for the year ended December 31st, 2015 (continued)

12. SHORT-TERM BORROWING

	2015	2014
	SR	
(Short-term Murabaha loan (12.1	238,400,000	-
(Current portion of long-term borrowing (Note 13	-	179,997,300
	238,400,000	179,997,300

12.1 During the year 2015, the Company obtained a new facility from a local commercial bank in the form of Islamic Murabaha amounting to SR 250 million for private equity investments/acquisitions. As at 31 December 2015, an amount of SR 238.4 million was outstanding against this facility, which is due for repayment on 13 March 2016. This facility is subject to market commission rate.

This facility arrangement include certain covenants, which the Company was in compliance with as at 31 December 2015.

13. LONG-TERM BORROWING

In 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. During the year, the Company repaid the outstanding SR 180 million towards revolving facility. As at 31 December 2015, an amount of 45 million was outstanding for transaction financing (2014: 45 million) which is due for repayment on 27 August 2018. This facility is secured by a promissory note and subject to market commission rate.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2015	2014
	SR	
Accrued employees' benefits	48,463,534	46,579,654
Accrued transaction expenses	24,000,491	33,112,042
Accrued commission on borrowings	2,420,112	2,150,704
Dividends payable	-	742,500
Payable to suppliers	1,036,030	194,101
Provisions and other liabilities	-	520,017
	75,920,167	83,299,018

15. ZAKAT AND INCOME TAX

The principal elements of the Zakat base are as follows:

	2015	2014
	SR	
Share capital	852,735,000	568,490,000
Statutory reserve	305,128,023	290,967,929
Retained earnings	89,416,568	337,751,101
Investments	(1,187,934,746)	(1,262,376,706)
Property and equipment	(24,802,471)	25,313,703
Provisions	14,969,301	31,585,877
Long term borrowing	44,999,325	-
Adjusted net income	99,372,542	175,925,577
Zakat base	193,883,542	167,657,481

Zakat:

	2015	2014
	SR	
Portion of the Saudi shareholders' adjusted net income/ zakat base, whichever is higher (2015: 90 %, 2014: 90%)	174,495,188	158,333,019
Zakat for the year (2.5%)	4,362,380	3,958,325

Income tax:

	2015	2014
	SR	
Portion of adjusted net income for non-Saudi shareholders (2015: 10 %, 2014: 10%)	9,937,254	17,592,558
Income tax for the year (20%)	1,987,451	3,518,512

The following is the movement of the provision for zakat and income tax for the year ended 31 December:

	2015	2014
	SR	
Balance at beginning of the year	7,476,837	7,794,402
Charge for the year	6,349,831	7,476,837
Reversal of provision for prior years	(1,164,651)	(1,209,956)
Adjustment for advance payments	(2,546,607)	(1,839,543)
Payment made during the year	(3,765,579)	(4,744,903)
Balance at end of the year	6,349,831	7,476,837

The Company has filed its Zakat and tax returns for the years up to and including the financial year 2014 with the Department of Zakat and Income Tax (the "DZIT"). The Company has received zakat assessments for 2007 raising an additional zakat liability of SR 3,032,875, which was paid during the year. The Zakat and tax return for years 2008 to 2014 are still under review by the DZIT. Company cannot be determined reliably at this stage and consequently no provision

Notes to the Financial Statements for the year ended December 31st, 2015 (continued)

16. SHARE CAPITAL

During the year ended 31 December 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 15 April 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 7 December 2014), 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 above bonus issue and amend the relevant provisions of the Company's By-laws accordingly. In their Extraordinary General Assembly meeting held on Jumada Al Oula 16, 1435 (corresponding to 17 March 2015), the shareholders of the Company approved the bonus issue, and the relevant provisions of the Company's By-laws and commercial registration certificate were duly amended.

17. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of its net income for the year until the reserve equals 50% of its share capital. This reserve is not available for dividend distribution.

18. (LOSS)/INCOME FROM PROPRIETARY INVESTMENTS, NET

	For the year ended 31 December 2015	For the year ended 31 December 2014
	SR	
Realized (loss)/gain on sale of available-for-sale investments, net	(19,788,317)	105,669,392
Dividends income	9,985,377	31,028,158
Realized gain on held for trading investments, net	-	8,035,870
Unrealized gain on held for trading investments	2,286,961	401,485
Others	415,326	68,884
	(7,100,653)	145,203,789

19. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2015	For the year ended 31 December 2014
	SR	
Professional and consulting fees	7,521,199	5,821,164
Subscription fees	4,388,754	4,515,379
Traveling expenses	3,973,586	3,507,059
Board of Directors' related expenses (Note 7)	3,000,000	1,600,000
Maintenance	2,973,248	2,826,384
Contractual labor	2,226,652	2,376,729
Telecommunication	1,357,526	1,563,606
Meeting expenses	1,393,310	733,590
Printing	455,571	658,826
Withholding taxes	777,142	522,923
Conference expenses	713,908	483,937
Advertisement	596,149	476,144
Utilities	419,488	418,530
Insurance	272,359	274,770
Security expenses	72,000	144,000
Provision for doubtful receivables (Note 5)	48,524	-
Others	4,078,517	4,295,750
	34,267,933	30,218,791

20. EARNINGS PER SHARE

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 31 December 2015 equivalent to 85.2735 million shares (31 December 2014: 85.2735 million shares).

21. DIVIDENDS

During the year 2014, the shareholders in their Annual General Assembly meeting held on Jumada Al Oula 15, 1434 (corresponding to 27 March 2014) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1.50 per share.

During the year 2015, the shareholders in their Annual General Assembly meeting held on Jumada Al Oula 16, 1435 (corresponding to 17 March 2015) approved the distribution of dividends amounting to SR 85.273 million from the retained earnings at SR 1 per share.

22. 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.

Notes to the Financial Statements for the year ended December 31st, 2015 (continued)

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.

	Investment banking services	Brokerage	Asset management services	Corporate	Total
SR					
Year ended December 31, 2015					
Revenue	63,979,817	6,753,521	190,225,961	(13,482,293)	247,477,006
Expenses	(25,614,955)	(4,957,888)	(50,264,732)	(73,072,659)	(153,910,234)
Income / (loss) from operations	38,364,862	1,795,633	139,961,229	(86,554,952)	93,566,772
Total assets	4,000,274	626,615	155,673,941	1,983,628,832	2,143,929,662
Total liabilities	20,750,099	593,006	41,790,684	322,262,613	385,396,402
Year ended December 31, 2014					
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

23. COMMITMENTS AND CONTINGENCIES

At 31 December 2015, the Company had an outstanding commitment in the form of a letter of guarantee on loan obtained by Associate. The Company's share of commitment with respect to its share of investment in an Associate amounts to SR 204 million (2014: SR 204 million).

24. CLIENTS' CASH ACCOUNTS

At 31 December 2015, the Company was holding clients' cash accounts amounting to SR 1,226.64 million (31 December 2014: 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 as these are held by the Company in fiduciary capacity.

25. 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 19.81 billion as at 31 December 2015 (31 December 2014: SR 18.95 billion). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

26. 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.

27. RISK MANAGEMENT

Credit risk:

Credit risk is the risk that one party to a financial instrument may 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 2015	Gross maximum exposure 2014
		SR
Cash and cash equivalents	67,573,709	105,375,392
Accounts receivables	39,142,387	45,526,256
Due from related parties	121,584,442	56,670,934
Loan to equity-accounted investee	2,520,321	-
Loans to employees	-	1,545,000
Advances to employees	973,414	1,439,244
	1,367,772,647	1,182,567,079

The Company's cash equivalents and investments are placed with banks of sound credit rating 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 may 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 borrowings.

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

Notes to the Financial Statements for the year ended December 31st, 2015 (continued)

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.

	2015	2014
	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.

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 liabilities according to when they are expected to be recovered or settled:

	Less than 12 months	More than 12 months	2015	Less than 12 months	More than 12 months	2014
	SR					
Short-term borrowing	238,400,000	-	238,400,000	179,997,300	-	179,997,300
Accounts payable	8,889,971	-	8,889,971	8,615,250	-	8,615,250
Accrued expenses and other liabilities	75,920,167	-	75,920,167	83,299,018	-	83,299,018
Zakat and income tax provision	6,349,831	-	6,349,831	7,476,837	-	7,476,837
Long-term borrowing	-	44,999,325	44,999,325	-	44,999,325	44,999,325
End-of-service indemnities	-	10,837,108	10,837,108	-	8,244,124	8,244,124
Total liabilities	424,573,246	1,419,833,251	1,844,406,497	280,466,904	1,558,862,529	1,839,329,433

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.

28. 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 1 January 2014. Accordingly, the Company's Pillar 1 requirement related to Tier capital base, minimum capital requirement and capital adequacy ratio are as follows:

	2015	2014
	SR '000	
Capital Base:		
Tier-1 Capital	1,332,629	1,332,554
Tier-2 Capital	425,905	185,367
Total Capital Base	1,758,534	1,517,921
Minimum Capital:		
Credit Risk	885,758	706,941
Market Risk	11,301	41,704
Operational Risk	46,332	43,918
Total Minimum Capital	943,391	792,563
Surplus Capital	815,143	725,358
Capital Adequacy Ratio %	1.86	1.92

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.

29. COMPARATIVE FIGURES

Certain figures for 2014 have been reclassified to conform with the presentation in the current year.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved on 7 March 2016.

Pillar III Disclosure

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

Jadwa Investment's Subsidiaries

Jadwa Industrial Investment Company.

Paid Capital: Five Hundred Thousand Riyal.

Authorized Person's percentage of ownership: 30%.

Main Activity: Establishment of industrial projects, and establishment, operate and manage lubricant factories.

Headquarter: Riyadh.

Country of Incorporation: Kingdom of Saudi Arabia.

Financing Information

Jadwa Investment's borrowings as of 31/12/2015.

Bank Name	Amount of Financing (SAR million)	Date of Financing Agreement Expiry	Principal Repayment during the Year	Outstanding Amount (SAR million)
SABB	238.4	March 2017	-	238.4
Alinma Bank	45	August 2018	-	45

Jadwa Industrial Investment Company's borrowings as of 31/12/2015.

Bank Name	Amount of Financing (SAR million)	Date of Financing Agreement Expiry	Principal Repayment during the Year	Outstanding Amount (SAR million)
Riyad Bank	680	December 2016	-	680

