

Arabian Opportunities Fund - Audi Capital

FINANCIAL STATEMENTS

31 DECEMBER 2013



Ernst & Young & Co. (Public Accountants)
6th & 14th Floors – Al Faisaliah Office Tower
PO Box 2732
King Fahad Road
Riyadh 11461
Saudi Arabia
Registration Number: 45

Tel: +966 11 273 4740
Fax: +966 11 273 4730

www.ey.com

AUDITORS' REPORT TO THE UNITHOLDERS OF ARABIAN OPPORTUNITIES FUND- AUDI CAPITAL

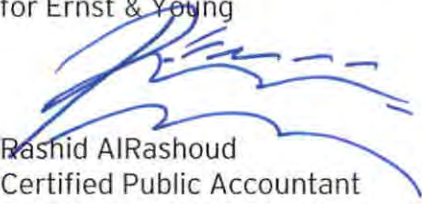
Scope of audit

We have audited the accompanying balance sheet of Arabian Opportunities Fund (the Fund) managed by Audi Capital (the Manager) as of 31 December 2013 and the related statements of operations, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of the Manager and have been prepared and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified opinion:

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2013 and the results of its operations, cash flows and changes in net assets for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young


Rashid AlRashoud
Certified Public Accountant
Registration No. 366



Riyadh: 26 Jumad Awal 1435H
(27 March 2014)

Arabian Opportunities Fund - Audi Capital

BALANCE SHEET

As at 31 December 2013

	Note	2013 USD	2012 USD
ASSETS			
Bank balances		652,936	6,487,743
Trading investments	4	19,920,466	9,219,317
Other receivables		469,010	411,883
TOTAL ASSETS		21,042,412	16,118,943
LIABILITIES			
Other payables		582,040	754,854
Accrued expenses and other liabilities		44,910	47,780
NET ASSETS		20,415,462	15,316,309
Units in issue		1,589,308	1,644,731
Per unit value		12.85	9.31

The attached notes 1 to 10 form part of these financial statements.

Arabian Opportunities Fund - Audi Capital

STATEMENT OF OPERATIONS

Year ended 31 December 2013

	<i>Note</i>	2013 USD	2012 USD
TRADING INCOME			
Trading income, net	5	<u>6,406,386</u>	<u>1,869,628</u>
		6,406,386	1,869,628
EXPENSES			
Management fees	6	<u>(355,541)</u>	<u>(314,176)</u>
Other expenses	7	<u>(370,262)</u>	<u>(42,509)</u>
NET INCOME FROM OPERATIONS		<u>5,680,583</u>	<u>1,512,943</u>

The attached notes 1 to 10 form part of these financial statements.

Arabian Opportunities Fund - Audi Capital

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	2013 USD	2012 USD
OPERATING ACTIVITIES		
Net income from operations	5,680,583	1,512,943
Adjustment for:		
Movement in unrealized (gain) loss on investments	(2,286,353)	409,482
	<u>3,394,230</u>	<u>1,922,425</u>
Changes in operating assets and liabilities:		
Trading investments, net	(8,414,796)	3,829,604
Other receivables	(57,127)	(411,883)
Other payables	(172,814)	754,854
Accrued expenses and other liabilities	(2,870)	(206,470)
	<u>(5,253,377)</u>	<u>5,888,530</u>
Net cash (used in) from operating activities		
FINANCING ACTIVITIES		
Proceeds from units sold	1,702,071	603,664
Value of units redeemed	(2,283,501)	(2,143,421)
	<u>(581,430)</u>	<u>(1,539,757)</u>
Net cash used in financing activities		
(DECREASE) INCREASE IN BANK BALANCES	(5,834,807)	4,348,773
Bank balances at the beginning of the year	<u>6,487,743</u>	<u>2,138,970</u>
BANK BALANCES AT THE END OF THE YEAR	<u>652,936</u>	<u>6,487,743</u>

The attached notes 1 to 10 form part of these financial statements.

Arabian Opportunities Fund - Audi Capital

STATEMENT OF CHANGES IN NET ASSETS

Year ended 31 December 2013

	2013 USD	2012 USD
NET ASSET VALUE AT THE BEGINNING OF THE YEAR	<u>15,316,309</u>	<u>15,343,123</u>
CHANGES FROM OPERATIONS		
Net income from operations	<u>5,680,583</u>	<u>1,512,943</u>
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	1,702,071	603,664
Value of units redeemed	<u>(2,283,501)</u>	<u>(2,143,421)</u>
Net change from unit transactions	<u>(581,430)</u>	<u>(1,539,757)</u>
NET ASSET VALUE AT THE END OF THE YEAR	<u><u>20,415,462</u></u>	<u><u>15,316,309</u></u>

UNIT TRANSACTIONS

Transactions in units for the year are summarised as follows:

	2013 Units	2012 Units
UNITS AT THE BEGINNING OF THE YEAR	1,644,731	1,811,177
Units sold	155,417	66,336
Units redeemed	<u>(210,840)</u>	<u>(232,782)</u>
UNITS AT THE END OF THE YEAR	<u><u>1,589,308</u></u>	<u><u>1,644,731</u></u>

The attached notes 1 to 10 form part of these financial statements.

1 GENERAL

Audi Capital – Arabian Opportunities Fund (the Fund) is an open-ended fund created by an agreement between Audi Capital Company (formerly known as Audi Saudi Arabia Company) (the Fund Manager) and investors (unit holders) in the Fund. The objective of the Fund is to achieve capital appreciation primarily through investment in equities listed on the regulated stock markets of the members of the Arab League and in tradable debt instruments of corporate and sovereign issuers from the Arab League countries.

The Fund was established on 16 Shabaan 1428H (corresponding to 29 August 2007) as per approval from the Capital Market Authority and commenced its operations on 1 September 2007.

The books and records of the Fund are maintained in US Dollars (USD).

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the regulations) issued by Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all funds operating within the Kingdom of Saudi Arabia.

3 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies adopted are as follows:

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of securities held for trading.

Revenue recognition

Dividend income is recognized when declared (i.e. when the Fund's right to receive the dividend is established). Special commission income is recognized on an effective yield basis. Realised gains and losses on investments sold are determined on weighted average cost basis.

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets held for trading.

Investment valuation

Investments which are purchased for trading purposes are valued at their market price as at the balance sheet date. Unrealised gains and losses on the revaluation of investments and realised gains and losses on the disposal of investments are recognised in the statement of operations.

Investment transactions

Investments transactions are accounted for as of the trade date.

Zakat and income tax

Zakat/income tax is the obligation of the unit holders and is not provided for in the financial statements.

Arabian Opportunities Fund - Audi Capital

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2013

4 TRADING INVESTMENTS

Trading investments comprise the following sectors as at 31 December:

	2013		2012	
	% of Market value	Market value USD	% of Market value	Market value USD
Banks	29%	5,685,463	41%	3,755,962
Manufacturing	21%	4,193,834	11%	1,048,488
Real estate development and construction	20%	4,049,201	3%	226,739
Shipping and transportation	14%	2,716,688	3%	310,801
Telecommunication	7%	1,462,391	14%	1,301,582
Consumer goods	6%	1,204,473	5%	490,246
Wholesale and retail sector	3%	608,416	2%	153,062
Cement	0%	-	17%	1,541,307
Health care	0%	-	4%	391,130
		19,920,466		9,219,317

Cost of trading investments was USD 17,502,307 as at 31 December 2013 (2012: USD 9,087,511).

The Fund Manager seeks to limit its risk by monitoring investments sector exposures and setting limits for individual sectors.

5 TRADING INCOME, NET

	2013 USD	2012 USD
Unrealised gain (losses)	2,286,353	(409,482)
Realised gains	3,435,942	1,679,182
Dividend income	684,091	599,928
	6,406,386	1,869,628

6 TRANSACTIONS WITH RELATED PARTIES

The Fund pays a management fee calculated at an annual rate of 2% of the net asset value on the last valuation day of the relevant month. Additionally, the Fund Manager also charges an administration fee at an annual rate of 0.15% of the net asset value on the last valuation day of the relevant month, subject to a minimum of USD 30,000 per annum. The Fund also pays a custodian fee calculated at an annual rate of 0.1% of the net asset value on the last valuation day of the relevant month, subject to a minimum of USD 30,000 per annum. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Trade transactions on the Saudi stock exchange are executed through the Fund Manager.

The unit holders' account at 31 December 2013 included 682,815 (2012: 682,815) units held by the Fund Manager.

Arabian Opportunities Fund - Audi Capital

NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2013

7 OTHER EXPENSES

	2013 USD	2012 USD
Foreign exchange losses	189,852	19,331
Advisory board compensation	21,842	3,000
Others	158,568	20,178
	<u>370,262</u>	<u>42,509</u>

8 RISK MANAGEMENT

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

As of the balance sheet date the fund is not significantly exposed to special commission rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk for its bank balances. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and dealing with reputed counterparties only. The table below shows the maximum exposure to credit risk for the components of the balance sheet:

	2013 USD	2012 USD
Bank balances	<u>652,936</u>	<u>6,487,743</u>

Equity price risk

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

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

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unit holder redemptions. The Fund's securities are considered to be readily realisable as they are investments in traded equities which, can be easily sold at any time. The Fund Manager monitors the liquidity requirements on a regular basis and ensures that sufficient funds are available to meet any commitments as they arise.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund views the United States (US) Dollars as its functional currency.

The Fund is subject to currency risk since investments are held in various currencies. Saudi Riyals, UAE Dirhams and Qatari Riyals are pegged to US Dollar; however, the Fund is exposed to Kuwaiti Dinars and Egyptian Pounds exchange rates fluctuations.

At 31 December 2013

9 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities. The Fund's financial assets and liabilities consist of bank balances, trading investments and other receivables while its financial liabilities consist of other payables, accrued expenses and other liabilities. 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. For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

10 LAST VALUATION DAY

The last valuation day of the year was 31 December 2013 (2012: 31 December 2012).