

**Arabian Opportunities Fund**  
(Managed by Audi Capital Company)

**FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



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## AUDITORS' REPORT TO THE UNIT HOLDERS OF ARABIAN OPPORTUNITIES FUND

### Scope of audit

We have audited the accompanying balance sheet of Arabian Opportunities Fund (the "Fund") as of 31 December 2015 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 Fund's management and have been prepared by them 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 2015 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 S. AlRashoud  
Certified Public Accountant  
Registration No. 366



Riyadh: 15 Jumad Thani 1437H  
(24 March 2016)

# Arabian Opportunities Fund

## BALANCE SHEET

As at 31 December 2015

|                            | Note | 2015<br>USD       | 2014<br>USD       |
|----------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>              |      |                   |                   |
| Bank balances              |      | 900,825           | 4,395,972         |
| Trading investments        | 4    | 42,930,244        | 63,138,606        |
| Other receivables          |      | 2,468,088         | 6,764             |
| <b>TOTAL ASSETS</b>        |      | <b>46,299,157</b> | <b>67,541,342</b> |
| <b>LIABILITIES</b>         |      |                   |                   |
| Management fee payable     | 6    | 76,802            | 118,244           |
| Custody fee payable        | 6    | 3,840             | 5,911             |
| Administration fee payable | 6    | 5,760             | 8,867             |
| Accrued expenses           |      | 10,321            | 11,667            |
| <b>TOTAL LIABILITIES</b>   |      | <b>96,723</b>     | <b>144,689</b>    |
| <b>NET ASSETS</b>          |      | <b>46,202,434</b> | <b>67,396,653</b> |
| Units in issue             |      | 3,486,426         | 4,569,902         |
| Per unit value             |      | 13.25             | 14.75             |

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

Arabian Opportunities Fund  
STATEMENT OF OPERATIONS  
Year ended 31 December 2015

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|                                 | <i>Notes</i> | <b>2015</b><br><b>USD</b> | <b>2014</b><br><b>USD</b> |
|---------------------------------|--------------|---------------------------|---------------------------|
| Trading loss, net               | 5            | <b>(3,932,047)</b>        | (56,445)                  |
| Management fees                 | 6            | <b>(1,227,869)</b>        | (1,135,035)               |
| Other expenses                  | 7            | <b>(241,175)</b>          | (305,021)                 |
| <b>NET LOSS FROM OPERATIONS</b> |              | <b><u>(5,401,091)</u></b> | <b><u>(1,496,501)</u></b> |

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

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Arabian Opportunities Fund  
 STATEMENT OF CASH FLOWS  
 Year ended 31 December 2015

|  | <i>Notes</i> | <b>2015<br/>USD</b> | <b>2014<br/>USD</b> |
|--|--------------|---------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>                          |              |                     |                     |
| Net loss from operations                             |              | (5,401,091)         | (1,496,501)         |
| Adjustment for:                                      |              |                     |                     |
| Movement in unrealized (gains) losses on investments | 4            | (3,987,033)         | 9,183,521           |
|  |              | <u>(9,388,124)</u>  | <u>7,687,020</u>    |
| Changes in operating assets and liabilities:         |              |                     |                     |
| Trading investments                                  |              | 24,195,395          | (52,401,661)        |
| Other receivables                                    |              | (2,461,324)         | 462,246             |
| Other payables                                       |              | -                   | (582,040)           |
| Management fee payable                               |              | (41,442)            | 84,686              |
| Custody fee payable                                  |              | (2,071)             | 3,363               |
| Administration fee payable                           |              | (3,107)             | 6,313               |
| Accrued expenses                                     |              | (1,346)             | 5,417               |
|  |              | <u>12,297,981</u>   | <u>(44,734,656)</u> |
| Net cash from (used in) operating activities         |              |                     |                     |
| <b>FINANCING ACTIVITIES</b>                          |              |                     |                     |
| Proceeds from units issued                           |              | 2,992,196           | 65,550,622          |
| Value of units redeemed                              |              | (18,785,324)        | (17,072,930)        |
|  |              | <u>(15,793,128)</u> | <u>48,477,692</u>   |
| Net cash (used in) from financing activities         |              |                     |                     |
| <b>NET (DECREASE) INCREASE IN BANK BALANCES</b>      |              | <b>(3,495,147)</b>  | <b>3,743,036</b>    |
| Bank balances at the beginning of the year           |              | 4,395,972           | 652,936             |
| <b>BANK BALANCES AT THE END OF THE YEAR</b>          |              | <b>900,825</b>      | <b>4,395,972</b>    |

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

## Arabian Opportunities Fund

### STATEMENT OF CHANGES IN NET ASSETS

Year ended 31 December 2015

|   | 2015<br><i>USD</i>       | 2014<br><i>USD</i>       |
|---|--------------------------|--------------------------|
| <b>NET ASSET VALUE AT THE BEGINNING OF THE YEAR</b> | <u>67,396,653</u>        | <u>20,415,462</u>        |
| <b>CHANGES FROM OPERATIONS</b>                      |                          |                          |
| Net loss from operations                            | <u>(5,401,091)</u>       | <u>(1,496,501)</u>       |
| <b>CHANGES FROM UNIT TRANSACTIONS</b>               |                          |                          |
| Proceeds from units issued                          | 2,992,196                | 65,550,622               |
| Value of units redeemed                             | <u>(18,785,324)</u>      | <u>(17,072,930)</u>      |
| Net change from unit transactions                   | <u>(15,793,128)</u>      | <u>48,477,692</u>        |
| <b>NET ASSET VALUE AT THE END OF THE YEAR</b>       | <u><u>46,202,434</u></u> | <u><u>67,396,653</u></u> |

#### UNIT TRANSACTIONS

Transactions in units for the year are summarised as follows:

|   | 2015<br><i>Units</i>    | 2014<br><i>Units</i>    |
|---|-------------------------|-------------------------|
| <b>UNITS AT THE BEGINNING OF THE YEAR</b> | 4,569,902               | 1,589,308               |
| Units issued                              | 189,139                 | 4,047,250               |
| Units redeemed                            | <u>(1,272,615)</u>      | <u>(1,066,656)</u>      |
| <b>UNITS AT THE END OF THE YEAR</b>       | <u><u>3,486,426</u></u> | <u><u>4,569,902</u></u> |

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

# Arabian Opportunities Fund

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

### 1 GENERAL

Arabian Opportunities Fund (the "Fund") is an open-ended fund created by an agreement between Audi Capital Company (the "Fund Manager") and investors (the "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 ("CMA") 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 the 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 of trading investments at fair value.

#### *Revenue recognition*

Dividend income is recognized when the Fund's right to receive the dividend is established. Realised gains and losses on investments sold are determined on a weighted average cost basis.

Trading income includes all gains and losses from changes in fair value of trading investments (realized and unrealized) and dividends from such investments.

#### *Investment valuation*

Investments which are purchased for trading purposes are valued at their quoted 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*

Investment transactions are accounted for as of the trade date.

#### *Zakat and income tax*

Zakat and income tax are considered to be the obligation of the Unit Holders and are not provided for in these financial statements.

#### *Expenses*

Expenses are recognised on an accrual basis.

## Arabian Opportunities Fund

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2015

#### 4 TRADING INVESTMENTS

Trading investments comprise the following sectors as at 31 December:

|  | <i>2015</i>              |                         | <i>2014</i>              |                         |
|--|--------------------------|-------------------------|--------------------------|-------------------------|
|  | <i>% of Market value</i> | <i>Market value USD</i> | <i>% of Market value</i> | <i>Market value USD</i> |
| Banks                                    | 24.34%                   | 10,449,084              | 32.79%                   | 20,705,586              |
| Consumer goods                           | 17.10%                   | 7,339,670               | 3.46%                    | 2,185,571               |
| Wholesale and retail sector              | 16.36%                   | 7,023,454               | 12.32%                   | 7,776,850               |
| Shipping and transportation              | 10.26%                   | 4,405,657               | 3.02%                    | 1,906,187               |
| Health care                              | 6.56%                    | 2,815,690               | 4.30%                    | 2,716,290               |
| Chemicals                                | 6.56%                    | 2,815,271               | 10.87%                   | 6,865,699               |
| Telecommunication                        | 6.41%                    | 2,753,608               | 3.32%                    | 2,096,829               |
| Real estate development and construction | 6.33%                    | 2,717,792               | 13.71%                   | 8,653,874               |
| Travel and leisure                       | 4.52%                    | 1,940,421               | 14.12%                   | 8,917,196               |
| Oil equipment and services               | 1.56%                    | 669,597                 | 2.08%                    | 1,314,524               |
|  |                          | <u>42,930,244</u>       |                          | <u>63,138,606</u>       |

Cost of trading investments was USD 45,708,573 as at 31 December 2015 (2014: USD 69,903,968).

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

#### 5 TRADING LOSS , NET

|  | <i>2015<br/>USD</i> | <i>2014<br/>USD</i> |
|--|---------------------|---------------------|
| Unrealised gains/(losses) on trading investments | 3,987,033           | (9,183,521)         |
| Realised (losses) / gains on trading investments | (9,886,052)         | 7,633,172           |
| Dividend income                                  | 1,966,972           | 1,493,904           |
|  | <u>(3,932,047)</u>  | <u>(56,445)</u>     |

#### 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.

Management fee expenses is disclosed on the statement of operations while custody and administration fee expense is disclosed in note 7 to the financial statements. Management fee payable, custody fee payable and administration fee payable are disclosed on the balance sheet. Advisory board compensation is set out in note 7 to the financial statements.

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

The Unit Holders' account at 31 December 2015 included 300,000 units (2014: 682,815) held by the Fund Manager.



# Arabian Opportunities Fund

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

At 31 December 2015

### 7 OTHER EXPENSES

|                             | <i>2015</i>    | <i>2014</i>    |
|-----------------------------|----------------|----------------|
|                             | <i>USD</i>     | <i>USD</i>     |
| Administration fees         | 92,090         | 85,128         |
| Custody fees                | 61,393         | 58,930         |
| Dealing cost                | 75,359         | 109,775        |
| Regulatory fees             | 2,000          | 2,000          |
| Advisory board compensation | -              | 26,360         |
| Audit Fees                  | 9,000          | 9,000          |
| Others                      | 1,333          | 13,828         |
|                             | <u>241,175</u> | <u>305,021</u> |

### 8 RISK MANAGEMENT

#### *Special commission rate risk*

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates.

As of the balance sheet date the Fund is not exposed to any special commission rate risk as the Fund does not have any special commission rate bearing financial instruments.

#### *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 from its bank balances. The Fund Manager seeks to limit credit risk of the Fund by monitoring Fund's credit exposures and ensuring that the Fund deals with reputed counterparties only and maintains bank accounts with reputable, creditworthy banks.

#### *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 of the Fund through diversification of Fund's 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 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 of the Fund 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 Dollars (USD) 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 the US Dollar; however, the Fund is exposed to currency risk due to the exchange rate fluctuation from some other currencies such as Kuwaiti Dinars and Egyptian Pounds. The Fund manager manages currency risk of the Fund by regularly monitoring exchange rates of the currencies that the Fund deals in.

**9 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities. The Fund's financial assets consist of bank balances, trading investments and other receivables while its financial liabilities consist of accrued expenses and other payables. 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. In case of other financial assets and liabilities of the Fund, the management believes that their fair values at the reporting date approximate their carrying values.

**10 LAST VALUATION DAY**

The last valuation day of the year was 31 December 2015 (2014: 31 December 2014).