

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyad Capital)
Financial Statements
For the year ended 31 December 2016
Together with the
Independent Auditor's Report to the Unit holders

AUDITOR'S REPORT**TO THE UNITHOLDERS****AL EMAAR FUND****Riyadh, Kingdom of Saudi Arabia****Scope of Audit**

We have audited the accompanying balance sheet of Al Emaar Fund (“the Fund”) managed by Riyadh Capital (the “Fund Manager”) as at 31 December 2016 and the related statements of income, cash flows and changes in net assets attributable to the unitholders for the year then ended and the attached notes which form an integral part of the financial statements. These financial statements are the responsibility of the Fund’s management and have been 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 misstatements. 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 statements 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 2016 and the results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

For and on behalf of
PKF Al Bassam & Al Nemer
Allied Accountants



Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



9 Rajab 1438
6 April 2017

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyadh Capital)
BALANCE SHEET
As at 31 December 2016
(Amounts in SAR)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and cash equivalents		3,395,398	2,876,803
Held for trading investments	7	30,136,964	38,189,634
Dividend receivable		-	29,086
Total assets		33,532,362	41,095,523
<u>LIABILITIES</u>			
Accrued expenses		157,643	230,258
Redemptions payable		-	546,857
Total liabilities		157,643	777,115
Net assets attributable to the Unitholders		33,374,719	40,318,408
Units in issue (<i>numbers</i>)	8	2,206,942.81	2,770,797.61
Net assets attributable to each unit		15.12	14.55

The accompanying notes 1 to 14 form an integral part of these financial statements

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyadh Capital)
STATEMENT OF INCOME
For the year ended 31 December 2016
(Amounts in SAR)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
INCOME / (LOSS)			
Net loss from held for trading investments	9	(171,518)	(10,282,611)
Dividend income		<u>1,896,363</u>	<u>2,165,567</u>
		1,724,845	(8,117,044)
EXPENSES			
Fund management fee		(717,293)	(1,135,293)
Other expenses	10	<u>(13,778)</u>	<u>(14,018)</u>
		(731,071)	(1,149,311)
Net income / (loss) for the year		<u>993,774</u>	<u>(9,266,355)</u>

The accompanying notes 1 to 14 form an integral part of these financial statements

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyadh Capital)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016
(Amounts in SAR)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year	993,774	(9,266,355)
<i>Adjustments to reconcile net income / (loss) to net cash from operating activities:</i>		
Unrealized (gain) / loss on held for trading investments	<u>(1,606,420)</u>	<u>11,436,847</u>
	(612,646)	2,170,492
Changes in operating assets and liabilities:		
Held for trading investments	9,659,090	3,013,090
Accrued expenses	(72,615)	(128,152)
Dividend receivable	29,086	11,403
Net cash from operating activities	<u>9,002,915</u>	<u>5,066,833</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	787,314	9,417,323
Payments against redemption of units	<u>(9,271,634)</u>	<u>(14,802,557)</u>
Net cash used in financing activities	<u>(8,484,320)</u>	<u>(5,385,234)</u>
Net increase /(decrease) in cash and cash equivalents	518,595	(318,401)
Cash and cash equivalents at the beginning of the year	2,876,803	3,195,204
Cash and cash equivalents at end of the year	<u>3,395,398</u>	<u>2,876,803</u>

The accompanying notes 1 to 14 form an integral part of these financial statements

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyadh Capital)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2016
(Amounts in SAR)

	<u>2016</u>	<u>2015</u>
Net assets attributable to the Unit holders at beginning of the year	40,318,408	55,516,854
Net income / (loss) for the year	993,774	(9,266,355)
<i>Changes from unit transactions:</i>		
Issuance of units	787,314	9,417,323
Redemption of units	(8,724,777)	(15,349,414)
Net change from unit transactions	(7,937,463)	(5,932,091)
Net assets attributable to the Unit holders at end of the year	33,374,719	40,318,408

The accompanying notes 1 to 14 form an integral part of these financial statements

AL EMAAR FUND
Open-Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE FINANCIAL STATEMENTS
31 December 2016
(Amounts in SAR)

1. THE FUND AND ITS ACTIVITIES

Al- Emaar Fund (the “Fund”) is an equity fund established and managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund Investors (the “Unitholders”). The Fund aims to achieve long-term capital growth through investing primarily in equities of Saudi companies engaged in building, construction, real estate and cement sectors or engaged in similar activities.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares a separate financial statement for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

Capital Market Authority (CMA)’s approval for the establishment of the Fund was granted in its letter number 291/5 dated Muharram 23, 1430 H (corresponding to 20 January 2009). The Fund commenced its operations on 30 December 2009.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations issued by Capital Market Authority (CMA) 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which was amended on 16 Shaban 1437 (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. SUBSCRIPTION/ REDEMPTION

The Fund is open for subscriptions/ redemptions of units on every Monday and Wednesday. The net assets value of the Fund is determined on every Monday and Wednesday (each a “Valuation Day”). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the value of net assets (fair value of Fund assets *minus* Fund liabilities) by the total number of outstanding units on the relevant Valuation Day.

4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

These financial statements have been presented in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia

These financial statements were approved by the Fund’s Board of Directors on 5 April 2017 corresponding to 8 Rajab 1438.

4.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, except for the measurement of investments held for trading at fair value, using accrual basis of accounting and the going concern concept.

4.3 *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyal (SAR) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

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31 December 2016
(Amounts in SAR)

4. BASIS OF PRESENTATION (Continued)

4.4 *Use of estimates and judgments*

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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 year in which the estimates are revised and in future years affected.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are set out below:

5.1 *Held for trading investments*

Investments purchased for trading are initially recognized at cost at the trade date and are remeasured at their market values as at each balance sheet date. The unrealized gains or losses from revaluation and realized gains or losses from disposal of held for trading investments are recognized in the Statement of Income.

5.2 *Revenue recognition*

Realized gains and losses on investments held for trading at disposal are determined on average cost basis. The realized gain or losses from investments held for trading represents the difference between the carrying amount of investment at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale price.

Unrealized gains and losses represent the difference between the carrying amount of a financial instrument at the beginning of the year, or the transaction price if it was purchased in the current reporting year, and its carrying amount at the end of the reporting year.

5.3 *Zakat*

Zakat is the obligation of the Unitholders and is not provided for in the accompanying financial statements.

5.4 *Cash and cash equivalents*

Cash and cash equivalents for the purpose of cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Fund without any restrictions.

6. FUND MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

On each Valuation Day the Fund Manager charges the Fund, a management fee at the rate of 1.75 percent per annum of the Fund's net asset value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges. These charges are not expected to exceed in total 0.2 percent per annum of the Fund's net asset value.

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6. FUND MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES (Continued)

In addition, on each Valuation Day the Fund Manager charges the Fund, custody and administration fees at the rate of 0.1 and 0.2 percent per annum respectively of the Fund's net asset value.

7. HELD FOR TRADING INVESTMENTS

7.1 The Fund invests primarily in equity securities of listed Saudi companies. The market value of trading investment by sector wise is summarized as follows:

Equities	<u>2016</u>	<u>2015</u>
Real Estate Development	10,698,011	14,058,900
Cement	10,010,354	15,121,971
Building and Construction	<u>9,428,599</u>	<u>9,008,763</u>
	<u>30,136,964</u>	<u>38,189,634</u>

7.2 The cost of the above held for trading investments portfolio amounted to SAR 28.53 million (2015: SAR 49.63 million).

8. UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	<u>2016</u>	<u>2015</u>
	<i>(In numbers)</i>	
Units at beginning of the year	2,770,797.61	3,105,144.95
Units issued	53,925.70	468,970.40
Units redeemed	(617,780.50)	(803,317.73)
Net change in units	(563,854.80)	(334,347.35)
Units at end of the year	<u>2,206,942.81</u>	<u>2,770,797.61</u>

9. NET LOSS FROM HELD FOR TRADING INVESTMENTS

	<u>2016</u>	<u>2015</u>
Realized (loss) / gain from sale of held for trading investments	(1,777,938)	1,154,236
Unrealized gain /(loss) from revaluation of held for trading investments	1,606,420	(11,436,847)
	<u>(171,518)</u>	<u>(10,282,611)</u>

10. OTHER EXPENSES

	<u>2016</u>	<u>2015</u>
Professional fee	8,792	9,018
Tadawul fee	4,986	5,000
	<u>13,778</u>	<u>14,018</u>

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(Managed by Riyadh Capital)
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(Amounts in SAR)

11. TRANSACTION WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager, Riyadh Bank (being the partner of Riyadh Capital) and other funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund Board of directors.

Riyad Bank acts as a banker of the Fund and as at 31 December 2016 SAR nil (2015: SAR 2,876,803) were held in current account of the Fund maintained with Riyadh Bank.

Riyad Capital is the custodian of the Fund and as at 29 December 2016 the amount held therewith, in investments account, was SAR 3,395,398 (2015: nil).

The significant related party transactions entered into by the Fund during the year and the balances resulting from such transactions are as follows:

<u>Related Party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance Payable</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Riyad Capital	Fund management fee	(717,293)	(1,135,293)	(154,312)	(226,724)
	Expenses incurred on behalf of the Fund	(13,778)	(14,018)	(3,331)	(3,534)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

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.

The Fund is exposed to credit risk on its cash and cash equivalents. Bank balance is kept with Riyadh Bank which has sound financial standing.

Equity price risk

Equity price risk is the risk that the value of financial instruments may 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 industry concentration.

Liquidity risk

Liquidity risk is the risk that the Fund may 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 twice a week (i.e. Monday and Wednesday) and it is, therefore, exposed to the liquidity risk of meeting unit-holder redemptions. The Fund’s securities are considered to be readily realizable as they are investments in equities and deposits with banks and can easily be realized at any time. The Fund Manager monitors the liquidity requirements on a regular basis and with a view to ensuring that sufficient funds are available to meet any commitments as they arise.

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13. 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.

Financial instruments comprise of financial asset and financial liability. The Fund's financial asset consists of Cash and cash equivalents, dividend receivable and held for trading investments and financial liability consists of accrued expenses and redemption payable.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of other financial liability is not materially different from their carrying values.

14. LAST VALUATION DAY

The last Valuation Day of the year was 29 December 2016 (2015: 30 December 2015).