

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
Financial Statements
For the year ended 31 December 2016
together with the
Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

To: The Unitholders
Wasatah IPO Fund
Riyadh, Kingdom of Saudi Arabia

We have audited the accompanying financial statements of **Wasatah IPO Fund** (the "Fund"), managed by Al Wasatah Al Maliah Company (Wasatah Capital) (the "Fund Manager"), which comprise the balance sheet 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.

Fund Manager's responsibility for the financial statements

The Fund Manager 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 for such internal controls as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Fund Manager 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 about 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 Fund'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 Fund'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 present fairly, in all material respects, the financial position of **Wasatah IPO Fund** as at 31 December 2016, and the results of its 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 Fund.

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371



Date: 27 Jumada'II 1438H
Corresponding to: 26 March 2017

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
BALANCE SHEET
As at 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>			
Cash and bank balances	6	18,159,590	49,396,012
Held for trading investments	7	40,837,414	68,987,750
Other receivable	8	<u>96,267</u>	<u>6,646,331</u>
Total assets		<u>59,093,271</u>	<u>125,030,093</u>
<u>LIABILITIES</u>			
Management and custody fees	10	310,529	699,967
Board of Directors' fee	10	6,049	8,121
Accrued expenses		48,761	41,774
Redemptions payable		<u>2,250,591</u>	<u>21,631</u>
Total liabilities		<u>2,615,930</u>	<u>771,493</u>
Net assets value attributable to unitholders		<u>56,477,341</u>	<u>124,258,600</u>
Units in issue (numbers)		<u>57,518</u>	<u>131,460</u>
Net assets value - per unit		981.9073	945.2199

The accompanying notes (1) to (15) form an integral part of these financial statements.

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
STATEMENT OF INCOME
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<i>Note</i>	<u>2016</u>	For the period 1 March 2015 to 31 December 2015
<u>INCOME</u>			
Trading gain / (loss), net	9	3,507,817	(13,614,783)
Dividend income		1,445,675	1,402,281
Other income		237,666	83,959
Total loss		<u>5,191,158</u>	<u>(12,128,543)</u>
<u>EXPENSES</u>			
Management fee	10	1,421,789	1,882,329
Custody fee	10	334,543	442,901
Board of Directors' fee, net	10	24,066	20,121
Other operating expenses	11	67,086	56,072
Total expenses		<u>1,847,484</u>	<u>2,401,423</u>
NET INCOME / (LOSS)		<u>3,343,674</u>	<u>(14,529,966)</u>

The accompanying notes (1) to (15) form an integral part of these financial statements.

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

	<u>2016</u>	For the period 1 March 2015 to 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss)	3,343,674	(14,529,966)
<i>Adjustment for realised gain on held for trading investments</i>	(114,814)	(1,979,379)
<i>Adjustment for unrealised (gain) / loss on held for trading investments</i>	(3,393,003)	15,594,162
Changes in operating assets and liabilities:		
Held for trading investments	31,658,153	(82,602,532)
Other receivable	6,550,064	(6,646,331)
Management and custody fees	(389,438)	699,967
Board of Directors' fee	(2,072)	8,120
Accrued expenses	6,987	41,774
Redemptions payable	2,228,960	21,631
Net cash generated by / (used in) operating activities	<u>39,888,511</u>	<u>(89,392,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	34,588,053	263,306,958
Payments for redemption of units	(105,712,986)	(124,518,392)
Net cash (used in) / generated by financing activities	<u>(71,124,933)</u>	<u>138,788,566</u>
Net (decrease) / increase in cash and bank balances	(31,236,422)	49,396,012
Cash and bank balances at beginning of the year	49,396,012	--
Cash and bank balances at end of the year / period	<u>18,159,590</u>	<u>49,396,012</u>

The accompanying notes (1) to (15) form an integral part of these financial statements.

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO UNITHOLDERS
For the year ended 31 December 2016

	<u>2016</u>	For the period from 1 March 2015 to 31 December 2015
<i>Amounts in Saudi Arabian Riyals</i>		
Net assets value at beginning of the year / period	124,258,600	--
Add: Subscriptions during the year / period	34,588,053	263,306,958
Less: Redemptions during the year / period	(105,712,986)	(124,518,392)
Net income / (loss)	3,343,674	(14,529,966)
Net assets value at end of the year / period	<u>56,477,341</u>	<u>124,258,600</u>
 Units at beginning of the year / period	 131,460	 --
Add: Units subscribed	37,682	248,550
Less: Units redeemed	(111,624)	(117,090)
Net (decrease) / increase in units	(73,942)	131,460
Units at end of the year / period	<u>57,518</u>	<u>131,460</u>

The accompanying notes (1) to (15) form an integral part of these financial statements.

**WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016**

1. GENERAL

Wasatah IPO Fund (the "Fund") is an investment fund established through an agreement between the Wasatah Capital (the "Fund Manager") and the Fund Investors (the "Unitholders"). The Fund commenced its operations on 1 March 2015.

Wasatah IPO Fund is a Shariah Complaint open-ended Fund that aims to achieve mid to long-term capital appreciation and provide its investors with absolute returns. The Fund primarily invests in Initial Public Offerings ("IPOs"), stocks listed within the last three years on the Saudi Stock Exchange ("Tadawul"). The Fund invests in tradable rights (including rump offerings) of stocks listed within the last five years on Tadawul.

The Capital Market Authority's ("CMA") approval for the establishment of the Fund was granted in its letter number 15/931/5/3 dated Raby' al-awal 29, 1436 H (corresponding to January 20, 2015). The Fund commenced its operations on March 01, 2015 (the date of inception).

The Fund Manager charges each investor a subscription fee for a percentage not to exceed 1.50% of subscribed amount. Subscription fee is not included in these financial statements.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the unitholders are considered to be owners of the fund.

The address of the Fund Manager is as follows:

Wasatah IPO Fund
P. O. Box 50315
Riyadh 11523
Kingdom of Saudi Arabia

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by Capital Market Authority ("CMA") on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended ("the amended regulation") on 16 Sha'ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The amended regulation came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units on each Monday and Wednesday (each a "Dealing Day"). The value of the Fund's portfolio is determined on each business day (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 net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

These financial statements have been presented in accordance with the requirements of accounting standards on financial reporting issued by the Saudi Organization of Certified Public Accountants (the "SOCPA").

4.2 Basis of measurement

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

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

4. BASIS OF PREPARATION (continued)

4.3 Functional and presentation currency

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

4.4 Use of estimates and judgements

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 future years affected.

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES

The significant accounting policies applied in the preparation of these financial statements are consistent with those used in the previous year and are set out below:

5.1 Held for trading investments

Investments which are purchased for trading are initially recognized at cost and are subsequently re-measured at their market values. The unrealized gains or losses on the revaluation of investments are recognized in the statement of income. Investment transactions are accounted for as of the trade date.

5.2 Trade Date Accounting

All regular-way purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

All other financial asset and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provision of the instrument.

5.3 Revenue recognition

The realized gain or loss from a held for trading investments is calculated as the difference between its carrying amount at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its sale price.

The unrealized gain or loss is calculated as the difference between the carrying amount of a held for trading investment at the beginning of the reporting period, or transaction price when purchased in the current reporting period and its carrying amount at the end of the reporting period.

Dividend income or other income is recognized when the right to receive payment is established.

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES (Continued)

5.4 Zakat / taxation

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

5.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Fund without any restrictions.

5.6 Management fee and other expenses

Management fees and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

5.7 Subscription and redemption of units

Units subscribed and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

5.8 Net assets

The net assets value per unit disclosed in the balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at the period-end.

5.9 Financial instruments

Financial assets and liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of financial assets and financial liabilities is taken directly to the statement of income.

6. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Cash at bank	11,659,590	36,396,012
Murabaha placement with a bank – original maturities of three months or less	6,500,000	13,000,000
	<u>18,159,590</u>	<u>49,396,012</u>

The effective commission rate on Murabaha deposit as at 31 December 2016 was 2.8% per annum (31 December 2015: 1.6%)

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

7. HELD FOR TRADING INVESTMENTS

The sector-wise composition of investment held for trading is summarized as follows:

<u>Sector</u>	<u>Cost</u>	<u>Market value</u> 2016	<u>% of market value</u>
Health Care	14,750,281	15,568,481	38%
Transport	6,255,082	9,626,280	24%
Hotel and tourism	4,596,131	4,641,194	11%
Retail	4,482,863	4,097,760	10%
Industrial	2,718,905	2,770,450	7%
Building and construction	2,932,193	2,415,300	6%
Real Estate	1,708,956	1,717,949	4%
	<u>37,444,411</u>	<u>40,837,414</u>	<u>100%</u>

<u>Sector</u>	<u>Cost</u>	<u>Market value</u> 2015	<u>% of market value</u>
Retail	29,046,042	27,646,683	40.07%
Transport	30,834,071	21,656,534	31.39%
Hotel and tourism	7,889,049	6,761,265	9.80%
Industrial investment	6,501,306	5,165,663	7.49%
Cement	7,482,953	4,934,055	7.16%
Building and construction	2,828,491	2,823,550	4.09%
	<u>84,581,912</u>	<u>68,987,750</u>	<u>100.00</u>

8. OTHER RECEIVABLE

Other receivable as at 31 December 2015 represents amount paid in connection with the Fund's share application related to the initial public offering of Alandalus Property Company

9. TRADING GAIN / (LOSS), NET

The unit holder account at 31 December included units held as follows:

	<u>2016</u>	For the period 1 March 2015 to 31 <u>December</u> <u>2015</u>
Realized gain / (loss) on investments, net	114,814	(15,594,162)
Unrealized gain / (loss) on investments, net	<u>3,393,003</u>	<u>1,979,379</u>
	<u>3,507,817</u>	<u>(13,614,783)</u>

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

10. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its related parties. The Fund Manager, its employees and the Fund's Board of Directors are considered to be related parties of the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund. The Fund Manager charges the Fund with a management fee of 1.70% per annum of the Fund's assets, calculated on a daily basis. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fee, board compensation and other similar charges. The annual board compensation is subject to a maximum of SR 48,000 for all the Board members.

The unit holders' account at 31 December included units held as follows:

	<u>2016</u>	
	Units (in numbers)	Net Asset Value SAR
Held by the Fund Manager	20,000	19,638,204
Held by members of the Board of Directors of the Fund	19.91	19,550
Held by employees of the Fund Manager	234.70	230,454
	<u>20,254.61</u>	<u>19,888,208</u>

	<u>2015</u>	
	Units (in numbers)	Net Asset Value SAR
Held by the Fund Manager	20,000	18,904,364
Held by members of the Board of Directors of the Fund	19.91	18,823
Held by employees of the Fund Manager	280.59	265,216
	<u>20,300.50</u>	<u>19,188,403</u>

During the year 2016, the above-mentioned unit holders' have subscribed and redeemed units amounting to SR 0.8 million (2015: SR 21.875 million) and SR 0.83 million (2015: SR 1.603 million), respectively.

Related party transactions for the year ended 31 December and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the year</u>		<u>Closing balance payable</u>	
		2016	2015	2016	2015
Wasatah Capital	Management fee	<u>1,421,789</u>	<u>1,882,329</u>	<u>(251,380)</u>	<u>(566,640)</u>
	Custody fee	<u>334,543</u>	<u>442,901</u>	<u>(59,149)</u>	<u>(133,327)</u>
Board of Directors	Annual remuneration	<u>24,066</u>	<u>20,121</u>	<u>(6,049)</u>	<u>(8,121)</u>

WASATAH IPO FUND
(MANAGED BY WASATAH CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016
(Amounts in Saudi Arabian Riyals)

11. OTHER OPERATING EXPENSES

		For the period 1 March 2015 to 31 December
	<u>2016</u>	<u>2015</u>
Audit fee	30,082	25,151
Benchmark calculation fee	24,442	20,435
CMA monitoring and reviewing fees	7,521	6,287
Other expenses	5,041	4,199
	<u>67,086</u>	<u>56,072</u>

12. RISK MANAGEMENT POLICIES

Credit risk

Credit risk is the risk that the counter party to a financial instrument may fail to discharge an obligation and cause the Fund to incur a financial loss. The Fund is exposed to credit risk for its cash balance only. The exposure is not significant since the cash balance is maintained with a local bank which has sound credit rating and a stock exchange broker.

Equity price risk

Equity price risk is the risk that the fair value of an equity investment may fluctuate as a result of changes in market prices. The Fund is exposed to equity price risk arising from its held for trading investments. The Fund Manager endeavours to minimize this risk including concentration risk through continuous monitoring of market conditions and diversification of its investments across various sectors of Saudi Arabian equity market.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in arranging funds to meet its commitments associated with settlement of financial liabilities and redemption of units. The Fund's securities are considered to be readily realizable as investments are made in quoted equities and can easily be realized 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.

13. FAIR VALUES OF FINANCIAL ASSETS AND 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.

Financial instruments consist of financial assets and financial liabilities. The Fund's financial assets consist of cash & bank balances and held for trading investments and financial liabilities consist of management and custody fees, Board of Directors' fee and certain accrued expenses.

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

14. LAST VALUATION DAY

The last valuation day of the year was 29 December 2016.

15. APPROVAL OF FINANCIAL STATEMENT

The financial statements appearing from page 1 to 10 were approved by the Fund's Board (as authorized by the unit-holders as per the terms and conditions of the Fund) on 26 March 2017.