

**Al-Arabi Asian Equity Fund – In
Voluntary Liquidation**
(Managed by Arab National Investment Company)

FINANCIAL STATEMENTS

14 June 2017

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Al-Arabi Asian Equity Fund- In Voluntary Liquidation

Opinion

We have audited the financial statements of Al-Arabi Asian Equity Fund- In Voluntary Liquidation (the "Fund") managed by Arab National Investment Company (the "Fund Manager"), which comprise the balance sheet as at 14 June 2017, and the statement of operations, statement of cash flows and statement of changes in net assets for the period from 1 January 2017 to 14 June 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 14 June 2017, and its financial performance and its cash flows for the period then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a matter

We draw attention to note 3 to the financial statements. As stated therein, the Fund Manager has commenced voluntary liquidation of the Fund on 14 June 2017. Accordingly, the financial statements have been prepared on a break up basis.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the information memorandum, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Al-Arabi Asian Equity Fund- In Voluntary Liquidation (continued)


Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young



Rashid S. AlRashoud
Certified Public Accountant
License No. 366



Riyadh: 16 Rajab 1439H
(2 April 2018)

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

BALANCE SHEET

As at 14 June 2017

	<i>Note</i>	14 June 2017 USD	31 December 2016 USD
ASSETS			
Bank balance		771,168	11,021
Trading investments	5	-	5,432,587
		<hr/>	<hr/>
		771,168	5,443,608
		<hr/>	<hr/>
LIABILITY			
Accrued expenses		19,439	27,459
		<hr/>	<hr/>
UNITHOLDERS' FUNDS			
Net assets		751,729	5,416,149
		<hr/>	<hr/>
Units in issue		33,595	270,564
		<hr/>	<hr/>
Per unit value		22.38	20.02
		<hr/>	<hr/>

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

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

STATEMENT OF OPERATIONS

	Notes	<i>Period from 1 January 2017 to 14 June 2017 USD</i>	<i>Year ended 31 December 2016 USD</i>
INCOME			
Trading income, net	6	667,615	382,626
EXPENSES			
Management fees	7	41,467	81,958
Other fees	7	7,143	14,452
		48,610	96,410
NET INCOME FROM OPERATIONS		619,005	286,216

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

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

STATEMENT OF CASH FLOWS

	<i>Period from 1 January 2017 to 14 June 2017 USD</i>	<i>Year ended 31 December 2016 USD</i>
OPERATING ACTIVITIES		
Net income from operations	619,005	286,216
Adjustment for:		
Movement in unrealised losses (gains) on trading investments	1,254,385	(365,212)
	<u>1,873,390</u>	<u>(78,996)</u>
Changes in operating assets and liabilities:		
Trading investment, net	4,178,202	(697,714)
Accrued expenses	(8,020)	4,219
	<u>6,043,572</u>	<u>(772,491)</u>
Net cash from (used in) operating activities		
FINANCING ACTIVITIES		
Proceeds from units sold	1,960	783,500
Value of units redeemed	(5,285,385)	(15,000)
	<u>(5,283,425)</u>	<u>768,500</u>
Net cash (used in) from financing activities		
INCREASE (DECREASE) IN BANK BALANCE	<u>760,147</u>	<u>(3,991)</u>
Bank balance at the beginning of the period/year	11,021	15,012
BANK BALANCE AT THE END OF THE PERIOD/YEAR	<u><u>771,168</u></u>	<u><u>11,021</u></u>

The accompanying notes 1 to 10 form part of these financial statements

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

STATEMENT OF CHANGES IN NET ASSETS

	<i>Period from 1 January 2017 to 14 June 2017 USD</i>	<i>Year ended 31 December 2016 USD</i>
NET ASSET VALUE AT THE BEGINNING OF THE PERIOD/YEAR	5,416,149	4,361,433
NET INCOME FROM OPERATIONS	619,005	286,216
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	1,960	783,500
Value of units redeemed	(5,285,385)	(15,000)
Net change from unit transactions	(5,283,425)	768,500
NET ASSET VALUE AT THE END OF THE PERIOD/YEAR	751,729	5,416,149

UNIT TRANSACTIONS

Transactions in units for the period/year end are summarised as follows:

	<i>Period from 1 January 2017 to 14 June 2017 Units</i>	<i>Year ended 31 December 2016 Units</i>
UNITS AT THE BEGINNING OF THE PERIOD/YEAR	270,564	232,557
Units sold	92	38,741
Units redeemed	(237,061)	(734)
Net (decrease) increase in units	(236,969)	38,007
UNITS AT THE END OF THE PERIOD/YEAR	33,595	270,564

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

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

NOTES TO THE FINANCIAL STATEMENTS

At 14 June 2017

1 GENERAL

Al-Arabi Asian Equity Fund (the “Fund”) is an open ended investment fund. The investment objective of the fund is long term growth of capital through investment in a broadly diversified portfolio of Pacific Basin (ex-Japan) equity securities. The Fund was established on 3 Rabi Awal 1422H (corresponding to 26 May 2001) by Arab National Bank (the “Bank”).

In accordance with the Capital Market Authority’s (CMA) decision No. 1-83-2005 dated 21 Jumada Awal 1426H (corresponding to 28 June 2005) issued by the CMA Board in connection with regulations relating to Authorised Persons, the Bank has transferred its asset management operations to the Arab National Investment Company (the “Fund Manager”), a wholly owned subsidiary of the Bank, effective 1 January 2008.

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

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) and effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 16 Sha’aban 1437H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3 LIQUIDATION OF THE FUND

As per the terms and conditions of the Fund, the Fund Manager has decided to voluntarily liquidate the Fund and has obtained the approval from the CMA through letter dated 20 Sha’aban 1438H (corresponding to 16 May 2017). The Fund Manager has also notified all the unitholders of the Fund for the voluntarily liquidation. The Fund Manager has commenced the liquidation of the Fund effective from 14 June 2017. Accordingly, these financial statements have been prepared on a break up basis. All assets have been stated at their net realizable value and liabilities have been stated at their settlement amounts.

4 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 on a break up basis.

Revenue recognition

Dividend income is recognised when declared (i.e. when the Fund’s right to receive the dividend is established).

Trading income includes unrealised gains and losses from changes in fair value, unrealised exchange gains and losses, realised gains and losses from sale of trading investments and dividends declared. Realised gains and losses on trading investments sold are determined on a weighted average cost basis.

Special commission income is recognised on an effective yield basis.

Investment valuation

Equity investments which are purchased for trading purposes are valued at their market prices as at the valuation date. Investments in mutual funds are valued on the basis of net asset values published by the Fund Manager.

Investment transactions

Investments transactions are accounted for as of the trade date.

Zakat and income tax

Zakat and income tax are the obligations of the Unitholders and are not provided for in the accompanying financial statements.

Al-Arabi Asian Equity Fund – In Voluntary Liquidation
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
At 14 June 2017

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are translated into US Dollars at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are taken to the statement of operations.

5 TRADING INVESTMENTS

Investments held for trading comprise the following as at 14 June 2017 and 31 December 2016:

<i>Description</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
<i>31 December 2016</i>			
<i><u>Mutual Funds</u></i>			
SGMF Pacific Basin Equity USD Institutional Fund	<u>4,178,202</u>	<u>5,432,587</u>	<u>1,254,385</u>

SEI Investments (Europe) Ltd. acts as sub manager of the Fund and custodian of the SGMF Pacific Basin Equity USD Institutional Fund. SGMF Pacific Basin (ex-Japan) Equity USD Institutional Fund assigns more than one manager and allocates certain percentages of the fund's assets to them depending on the market conditions. Each manager selects the most appropriate securities. All investments have been liquidated during the period.

6 TRADING INCOME, NET

	<i>Period from 1 January 2017 to 14 June 2017 USD</i>	<i>Year ended 31 December 2016 USD</i>
Movement in unrealised (losses) gains on trading investments	(1,254,385)	365,212
Realised gains on trading investments, net	<u>1,922,000</u>	<u>17,414</u>
	<u>667,615</u>	<u>382,626</u>

7 TRANSACTIONS WITH RELATED PARTIES

A subscription fee of 2% may be charged to the subscribers by the Fund Manager upon subscription.

The Fund pays a management fee at a maximum rate of 1.75% per annum calculated on the net assets at each valuation date. In addition, the Fund Manager also charges other fees at a maximum rate of 1% per annum calculated on the net assets at each valuation date to meet other expenses of the Fund.

The management fees amounting to USD 41,467 (2016: USD 81,958) and other fees amounting to USD 7,143 (2016: USD 14,452) reflected in the statement of operations, represent the fees charged by the Fund Manager as described above.

The Bank (parent of the Fund Manager) acts as the Fund's banker.

Al-Arabi Asian Equity Fund – In Voluntary Liquidation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 14 June 2017

7 TRANSACTIONS WITH RELATED PARTIES (Continued)

The Bank (parent of the Fund Manager) acts as the Fund's banker.

The Unitholders' account at period/year end included units held as follows:

	<i>As at 14 June 2017 Units</i>	<i>Year ended 31 December 2016 Units</i>
Held by the Bank	-	231,333
Held by employees of the Bank	-	644
Held by Funds under same management	32,371	-
Total	32,371	231,977

8 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of bank balances. Financial liabilities consist of accrued expenses. 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. Investments in mutual funds are valued on the basis of net asset values published by the Fund Manager.

Trading investments are carried at their fair value. The fair values of other financial instruments are not materially different from their carrying value.

9 LAST VALUATION DAY

The last valuation day of the period/year was 14 June 2017 (2016: 28 December 2016).

10 FUND BOARD APPROVAL

The financial statement of the fund for the period 2017 was approved by the Board of Directors of the fund on 29 March 2018.