

MUSCAT CAPITAL IPO FUND
Managed by
MUSCAT CAPITAL
INTERIM CONDENSED FINANCIAL STATEMENTS (Un-Audited)
For the period ended from 16 March 2015 to 30 June 2015
together with the
Independent Auditor's Review Report

MUSCAT CAPITAL IPO FUND
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MUSCAT CAPITAL

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KPMG Al Fozan & Al Sadhan
KPMG Tower
Salahudeen Al Ayoubi Road
P O Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**The Unit holders of
Muscat Capital IPO Fund
Kingdom of Saudi Arabia**

Scope of Review

We have reviewed the accompanying interim condensed balance sheet of **Muscat Capital IPO Fund** (the "Fund") managed by Muscat Capital (the "Fund Manager") as at 30 June 2015, and the related interim condensed statement of income, cash flows and changes in net assets attributable to Unitholders for the six month period then ended and the notes from (1) to (12) which form an integral part of these interim condensed financial statements. These condensed interim financial statements are the responsibility of the Fund Manager 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 a conclusion on these interim condensed financial statements based on our review.

We conducted our review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Al Sadhan

Abdullah H. Al Fozan
License No. 348



27 Shawwal 1436H
Corresponding to August 12, 2015

MUSCAT CAPITAL IPO FUND
 Managed by
MUSCAT CAPITAL
INTERIM CONDENSED BALANCE SHEET
 As at 30 June 2015
 (Saudi Riyals 000')

ASSETS	<u><i>Note</i></u>	<u>2015</u>
Cash and bank balance	6	215,032
Investments held for trading	7	169,934
Other assets		85
Total assets		<u>385,051</u>
 LIABILITIES		
Accrued management fee		1,072
Accrued expenses		246
Total liabilities		<u>1,318</u>
 Net assets attributable to unit holders		 <u><u>383,733</u></u>
 Units in issue (numbers in 000)		 <u><u>32,974</u></u>
 Net assets value – per unit (Saudi Riyals)		 <u><u>11.64</u></u>

These financial statements as shown on pages 1 to 10 are signed and approved by the Fund Board

The accompanying notes 1 to 11 form an integral part of these financial statements.

MUSCAT CAPITAL IPO FUND
 Managed by
MUSCAT CAPITAL
INTERIM CONDENSED STATEMENT OF INCOME
 For the period from 16 March 2015 to 30 June 2015
 (Saudi Riyals 000')

	<i>Note</i>	For the period from 16 March 2015 to 30 June 2015
INCOME		
Dividend income		622
Gain from held for trading investments		
- Realized gain on disposal of investments		15,202
- Unrealized gain on investments		31,222
		<u>47,046</u>
EXPENSES		
Management fees	5	1,077
Other expenses	5	248
		<u>1,325</u>
Net income for the period		<u><u>45,721</u></u>

The accompanying notes 1 to 11 form an integral part of these financial statements.

MUSCAT CAPITAL IPO FUND

Managed by

MUSCAT CAPITAL**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

For the period from 16 March 2015 to 30 June 2015

(Saudi Riyals 000')

	For the period from 16 March 2015 to 30 June 2015
Cash flows from operating activities	
Net income for the period	45,721
<i>Adjustments:</i>	
Realized gain on disposal of investments	(15,202)
Unrealised gain on investments	(31,222)
	<u>(703)</u>
Changes in operating assets and liabilities	
Investments in held for trading	(185,603)
Proceeds from sale of investments	62,093
Other assets	(85)
Accrued management fee	1,072
Accrued expenses	246
Net cash used in operating activities	<u>(122,980)</u>
Cash flows from financing activities	
Proceeds from issuance of units	353,012
Payment towards units redeemed	(15,000)
Net cash generated from financing activities	<u>338,012</u>
Net increase in cash and cash equivalent	<u>215,032</u>
Cash and cash equivalent at the end of the period	<u>6</u> <u>215,032</u>

The accompanying notes 1 to 11 form an integral part of these financial statements.

MUSCAT CAPITAL IPO FUND
 Managed by
MUSCAT CAPITAL
INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNIT HOLDERS
 For the period from 16 March 2015 to 30 June 2015
 (Saudi Riyals 000')

	For the period from 16 March 2015 to <u>30 June 2015</u>
Net assets value at beginning of the period	--
Net income for the period	45,721
Changes from unit transactions	
Proceeds from issuance of units	353,012
Payment towards units redeemed	(15,000)
Net change from unit transactions	338,012
Net assets value at end of the period	383,733

The accompanying notes 1 to 11 form an integral part of these financial statements.

MUSCAT CAPITAL IPO FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 16 March 2015 to 30 June 2015

1. THE FUND AND ITS ACTIVITIES

The Muscat Capital IPO Fund (the "Fund") is a fund established and managed through an agreement between Muscat Capital (the "Fund Manager") and the Fund Investors (the "Unit-holders").

The Fund aims to realize capital appreciation by investing primarily in the initial public offerings (IPOs) of newly listed companies on the Saudi Arabian Stock Exchange ("Tadawul") and the shares of other companies listed on the Tadawul during the prior three years, which are in compliance with Islamic Shariah. Further the Fund may invest the surplus cash directly in Shariah compliant deposits and Murabaha contracts issued.

The Fund commenced its operations on 16 March 2015 and operated under the regulations issued by Saudi Arabian Monetary Agency (SAMA) till when Capital Market Authority (CMA) pursuant to resolution number 1-219-2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006), issued Investment Funds Regulations detailing regulatory requirements for all funds operating within the Kingdom of Saudi Arabia. The terms and conditions of the Fund were initially approved by SAMA and subsequently endorsed by the CMA on 1 December 2014.

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

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the Capital Market Authority (CMA) on 22 Dhul Hijja 1427H (corresponding to 12 January 2007) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

These interim condensed financial statements are prepared in accordance with the generally accepted accounting standards issued by the Saudi Organization of Certified Public Accountants (the "SOCPA").

3.2 *Basis of measurement*

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

3.3 *Functional and presentation currency*

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

MUSCAT CAPITAL IPO FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 16 March 2015 to 30 June 2015

3. BASIS OF PREPARATION (continued)

3.4 Use of estimates and judgment

The preparation of interim condensed 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are as follows:

4.1 Investments held for trading

Investments are classified as “held for trading” if they are purchased for the purpose of resale in the short term. Investments held for trading are initially recorded at cost which includes the purchase price plus all expenditures made by the Fund for the purpose of acquiring securities. Subsequent to initial recognition, investments held for trading are measured at fair value and resulting gains or losses are recognised in the statement of income but excluding dividend income which are separately shown in the statement of income. Realised gains or losses at disposal and unrealised gains or losses are determined on average cost basis.

4.2 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.

4.3 Management fees 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.

4.4 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

4.5 Cash and cash equivalent

Cash and cash equivalent comprise of balances held in bank, cash with fund manager for investments purpose and investment account with an original maturity of three months or less, which are available to the Fund without any restriction.

MUSCAT CAPITAL IPO FUND
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 For the period from 16 March 2015 to 30 June 2015
 (Saudi Riyals 000')

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 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.

4.7 Net assets value

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.

4.8 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.

5. MANAGEMENT FEES AND OTHER EXPENSES

The Fund Manager charges on every Subscription day for its services management fee at an annual rate of 1.75% of the value of the portfolio. The Fund Manager also recovers expenses incurred on behalf of the Fund, such as regulatory and Shariah fees, legal, custody, brokerage, consultation services, data processing and other similar charges.

6. CASH AND BANK BALANCE

	30 June 2015
Cash with banks	98
Cash with the Fund Manager	214,934
	215,032

7. INVESTMENTS HELD FOR TRADING

The investment portfolio is summarized as follows:

	30 June 2015
Equity securities	144,887
Murhabah Funds	25,047
	169,934
Cost of investments	138,712
Unrealised gain, net	31,222
Total	169,934

8. UNIT TRANSACTIONS

2015
(In numbers 000')

Units at the beginning of the period	--
Units issued	34,458
Units redeemed	(1,484)
Net changes in units	32,974
Units at the end of the period	32,974

9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund comprise of the Fund Manager and the Parent Company of the Fund Fund Manager. In the ordinary course of its activities, the Fund transacts with the Fund Manager on terms approved by the Fund Manager. Related party transactions are governed by limits set by the regulations issued by Capital Market Authority (CMA).

In the ordinary course of its activities, the Fund transacts business with the following related parties:

	<u>Relationship</u>
Muscat Capital	The Fund Manager
Bank Muscat	Parent Company of the Fund Manager

The balances as at June 30 resulting from such transactions included in the year end financial statements are as follows:

	<u>30 June 2015</u>
Management fee payable	1,072
Bank Balance	215,032
Custody fee payable	123
Meeting fee payable to the Board	7

Transactions with related parties included in interim condensed financial statements are as follows:

	<u>30 June 2015</u>
Management fee	1,077
Custody fee payable	123
Meeting fee payable to the Board	7

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on Balance Sheet include cash and cash equivalents, Investments held for trading and accrued expenses.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Fund has no significant concentration of credit risks. Cash and cash equivalents are placed with local banks with sound credit ratings.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 16 March 2015 to 30 June 2015

(Saudi Riyals 000')

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Fund is not exposed to fair value cash flow interest rate risks as the Fund does not have any interest bearing securities.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in releasing funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Fund is exposed to daily cash redemptions of units. The units are redeemed on demand at the unit-holders' option. As per the Fund's information memorandum, the units may be redeemed for cash with a limit of no more than 10% of the Fund's total units on any single business day. To reduce the liquidity risk, all of the Fund's assets are invested in the Foreign Fund, which is managed by a related party. Nonetheless, the Fund has the ability to borrow in the short-term to ensure settlement of units.

Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Fund's transactions are principally in Saudi riyal, therefore the Fund is not exposed to currency risk.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying interim condensed financial statements are prepared under the historical cost method, except for the revaluation of the investments held for trading, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Fund's financial assets and liabilities are not materially different from their carrying values.

10. LAST VALUATION DATE OF THE PERIOD

In accordance with terms and conditions of the Fund, the last valuation date of the period was 30 June 2015. The last valuation date for the purpose of preparation of these interim condensed financial statements was 30 June 2015.

11. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund Manager on 26 Shawwal 1436H (corresponding to 11 August 2015).