

# **NBAD GCC Opportunities Fund**

Condensed interim financial statements

**30 June 2013**

# NBAD GCC Opportunities Fund

## Condensed interim financial statements

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## Independent Auditor's Report on Review of Condensed Interim Financial Information

The Unit holders  
NBAD GCC Opportunities Fund  
Abu Dhabi

### *Introduction*

We have reviewed the accompanying 30 June 2013 condensed interim financial information of NBAD GCC Opportunities Fund ("the Fund"), which comprises:

- the condensed interim statement of financial position as at 30 June 2013;
- the condensed interim statement of comprehensive income for the six month period ended 30 June 2013;
- the condensed interim statement of changes in net assets attributable to holders of redeemable units for the six month period ended 30 June 2013;
- the condensed interim statement of cash flows for the six month period ended 30 June 2013; and
- notes to the condensed interim financial information.

The Fund's management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2013 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani  
Registration No: 268

04 NOV 2013

Condensed interim statement of financial position

*As at*

	<i>Note</i>	(Unaudited) 30 Jun 2013 AED'000	(Audited) 31 Dec 2012 AED'000
<b>Assets</b>			
Cash at bank	5	2,812	586
Investments at fair value through profit or loss		73,171	74,323
Other assets		289	1
<b>Total assets</b>		<u>76,272</u>	<u>74,910</u>
<b>Liabilities</b>			
Due to related parties	5	420	13
<b>Total liabilities</b>		<u>420</u>	<u>13</u>
<b>Net assets attributable to holders of redeemable units</b>		<u>75,852</u>	<u>74,897</u>
<b>Number of units outstanding (thousand units)</b>		<u>18,987</u>	<u>21,461</u>
<b>Net asset value per unit (AED)</b>		<u>3.99</u>	<u>3.49</u>
Represented by:			
Net assets attributable to unit holders (valued in accordance with prospectus)		76,096	75,062
Adjustment from closing prices to bid prices		(244)	(165)
		<u>75,852</u>	<u>74,897</u>

  
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 Mark Watts  
 Head & CIO of AMG

  
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 Saleem Khokhar  
 Head of Equities

The notes on pages 6 to 10 are an integral part of these condensed interim financial statements.

The independent auditor's report on review of condensed interim financial information is set out on page 1.

## Condensed interim statement of comprehensive income

For the six months ended 30 June

		(Unaudited) 2013 AED'000	(Unaudited) 2012 AED'000
	<i>Note</i>		
Interest income	5	5	9
Net gain / (loss) on investments at fair value through profit or loss	4	8,840	(1,915)
Dividend income		2,580	3,281
Other income		3	8
<b>Net investment income</b>		<b>11,428</b>	<b>1,383</b>
Management fees	5	(803)	(991)
Other operating expenses		(119)	(183)
<b>Total operating expenses</b>		<b>(922)</b>	<b>(1,174)</b>
<b>Net profit for the period</b>		<b>10,506</b>	<b>209</b>
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>10,506</b>	<b>209</b>

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Condensed interim statement of changes in net assets attributable to holders of redeemable units

For the six months ended 30 June (Unaudited)

	Number of units	Net assets attributable to unit holders AED'000
Balance at 1 January 2012	27,020,045	92,363
Issue of units during the period	463,788	1,708
Redemption of units during the period	(676,490)	(2,394)
Increase in net assets attributable to holders of redeemable units	-	209
<b>Balance at 30 June 2012</b>	<u>26,807,343</u>	<u>91,886</u>
Balance at 1 January 2013	21,461,257	74,897
Issue of units during the period	247,062	909
Redemption of units during the period	(2,721,269)	(10,460)
Increase in net assets attributable to holders of redeemable units	-	10,506
<b>Balance at 30 June 2013</b>	<u>18,987,050</u>	<u>75,852</u>

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## Condensed interim statement of cash flows

For the six month period ended 30 June

	Note	(Unaudited) 2013 AED'000	(Unaudited) 2012 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		10,506	209
<i>Changes in:</i>			
Investments at fair value through profit or loss		1,152	4,932
Due from related parties		-	(882)
Due from brokers		-	(15,143)
Other assets		(288)	(80)
Due to related parties	5	407	308
Due to brokers		-	12,590
Other liabilities		-	1
<b>Net cash flows from operating activities</b>		<u>11,777</u>	<u>1,935</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		909	1,708
Payments on redemption of units		(10,460)	(2,394)
<b>Net cash flows used in financing activities</b>		<u>(9,551)</u>	<u>(686)</u>
<b>Net increase in cash and cash equivalents</b>		<b>2,226</b>	<b>1,249</b>
Cash and cash equivalents at 1 January		586	1,653
<b>Cash and cash equivalents at 30 June</b>	5	<u><u>2,812</u></u>	<u><u>2,902</u></u>

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Notes to the condensed interim financial statements

## **1 Legal status and principal activities**

NBAD GCC Opportunities Fund (the "Fund") is an open ended investment fund established in the United Arab Emirates (the "UAE") by National Bank of Abu Dhabi PJSC (the "Fund Manager") and is licensed by the Central Bank of the UAE approval reference number 13/281/2008 dated 3 January 2008. The Fund is not a separately incorporated entity and its activities are managed by the Fund Manager.

The Fund's primary objective is to invest in a balanced portfolio of GCC equities and other transferable securities, whether listed on the GCC financial markets or, where appropriate, purchased through the 'over the counter' arrangements, and other related securities including third party collective investment schemes, with a view to achieving capital growth.

The prospectus was revised on 1 November 2007 and the term sheet was revised on 26 July 2012. These revisions are approved by the Central Bank of UAE. The revised prospectus and term sheet are available upon request from the Fund Manager's registered office at P.O. Box 4, Abu Dhabi, United Arab Emirates.

## **2 Basis of preparation**

### **(a) *Statement of compliance***

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard ("IAS") 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Fund since the last annual financial statements as at for the year ended 31 December 2012. They do not include all of the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRSs).

These condensed interim financial statements were approved on behalf of the fund manager on 04 NOV 2013.

### **(b) *Estimates***

The preparation of condensed interim financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by the Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements as at and for the year ended 31 December 2012.

## **3 Significant accounting policies**

The accounting policies applied by the Fund in these condensed interim financial statements are the same as those applied by the Fund in its financial statements as at and for the year ended 31 December 2012.

## Notes to the condensed interim financial statements

### 4 Net gain / (loss) on investments at fair value through profit or loss

	(Unaudited) 30 Jun 2013 AED'000	(Unaudited) 30 Jun 2012 AED'000
Realised loss	(78)	(804)
Unrealised gain / (loss)	8,918	(1,111)
	<u>8,840</u>	<u>(1,915)</u>

As at the reporting date all of the Fund's investments at fair value through profit or loss comprise bonds and equity securities.

### 5 Related parties

#### *Identity of related parties*

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise members of the Advisory Board and Investment Committee and the Fund Manager and the entities controlled by them. In the ordinary course of business, the Fund renders and receives services from such related parties at agreed rates, terms and conditions set out by the Fund Manager.

#### *Terms and conditions*

Key terms and conditions are shown below:

Brokerage	Abu Dhabi Financial Services LLC ("ADFS"), a wholly owned subsidiary of the Fund Manager, provides brokerage services to the Fund at prevailing market rates.
Banking	The Fund Manager provides these services at rates agreed with the Fund.
Others	The Fund Manager is entitled to the following fees as set out in the term sheet: <ul style="list-style-type: none"> <li>• Management fee of 2%;</li> <li>• Performance fees of 10% charged by the Fund Manager on the increase in the Fund's NAV above an annual hurdle rate of 12%. The hurdle rate is calculated as an increase in Fund's NAV of 3% per quarter.</li> </ul>

## Notes to the condensed interim financial statements

### 5 Related parties (continued)

#### Balances

Balances with related parties at the reporting dates are shown below:

	(Unaudited) 30 Jun 2013 AED'000	(Audited) 31 Dec 2012 AED'000
Fair value of investments at fair value through profit or loss in securities issued by the Fund Manager 180 thousand shares (2012: 164 thousands)	2,045	1,770
Number of units of the Fund held by related parties (in thousands)	7,500	7,500
Cash at bank – current account	2,812	586

#### Due to related parties

Management fees payable to the Fund Manager	408	-
Administration fee payable to Custody Department of NBAD	12	13
	420	13

#### Transactions

Transactions with related parties included in the condensed interim statement of comprehensive income are shown below:

	(Unaudited) 30 Jun 2013 AED'000	(Unaudited) 30 Jun 2012 AED'000
Dividend income	57	41
Brokerage charges paid to ADFS	2	(8)
Management fees	(803)	(991)
Administration fee	(91)	(126)
Interest income	5	9

In accordance with article 14.2 of the term sheet, a management fee of 2% per annum of Fund's NAV is payable quarterly to the Fund Manager, calculated and accrued on a daily basis. Management fees of AED 395 thousand were paid during the period (30 June 2012: AED 946 thousand).

The Fund is managed by the Fund Manager and there are no key management personnel of the Fund.

## 6 Financial risk management

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

## 7 Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities are measured at amortised cost except for held for trading investments which are measured at fair value either by reference to published price quotations in an active market or by using some valuation technique

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. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in fair value hierarchy into which the fair value measurement is categorized.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>30 June 2013 (unaudited)</b>				
Investments at fair value through profit or loss				
Equities	73,143	-	-	73,143
Bonds	28	-	-	28
Total	<u>73,171</u>	<u>-</u>	<u>-</u>	<u>73,171</u>

Notes to the condensed interim financial statements

## 7 Fair value hierarchy of financial assets and liabilities (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>31 December 2012 (audited)</b>				
Investments at fair value through profit or loss				
Equities	74,323	-	-	74,323
Bonds	-	-	-	-
Total	<u>74,323</u>	<u>-</u>	<u>-</u>	<u>74,323</u>

## 8 Comparative figures

Certain comparative figures have been reclassified, where appropriate, to conform with the presentation and accounting policies adopted in these condensed interim financial statements.