

للإدارة
مدير عام
م

البنك الأردني الكويتي
JORDAN KUWAIT BANK



الإدارة العامة

الرقم : خ 2017/196/100

التاريخ : 2017/04/13

إلى
معالي السيد محمد صالح الحوراني المحترم ،
رئيس مجلس مفوضي هيئة الأوراق المالية
عمان-الأردن

مع بالغ التقدير وعظيم الاحترام

تحية طيبة وبعد،

الموضوع: القوائم المالية لصندوق الأفق
بنك المال الأردني

عملاً بأحكام المادة 43 من قانون الأوراق المالية رقم (76) لسنة 2002، والمادة (25) من تعليمات الاستثمار المشترك رقم (2) لسنة 1999 الصادر عن مجلس مفوضي هيئة الأوراق المالية، والمادة رقم (4) من تعليمات إفصاح الشركات المصدرة، ولاحقاً لكتابنا رقم خ 2017/121/100 والمرسل لكم بتاريخ 2017/03/22 نرفق لكم طيه، بصفتنا أمين الاستثمار لصندوق الأفق- بنك المال الأردني، القوائم المالية المراجعة والمقارنة للصندوق عن الفترة المنتهية في 31 كانون أول 2016 باللغة الإنجليزية.

وتفضلوا بقبول فائق الاحترام،،،

عبد الكريم الكباريتي
رئيس مجلس الإدارة

مدير عام



- نسخة: صندوق الأفق-بنك المال الأردني.

HORIZON FUND – CAPITAL BANK

(OPEN INVESTMENT FUND)

FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

**To the investment manager of Horizon Fund – Capital Bank
Amman- Jordan**

Opinion

We have audited the financial statements of Horizon Fund – Capital Bank (the Fund), which comprise of the statement of assets and liabilities as at 31 December 2016, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, 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 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Fund prospectus.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Fund prospectus, 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 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.

Those charged with governance are responsible for overseeing the Fund 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 ISAs will always detect a material misstatement when it exist. 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.

As part of an audit in accordance with ISAs, 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 those charged with governance 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.

Amman – Jordan
12 March 2017



Ernst & Young

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		<u>JD</u>	<u>JD</u>
Balances at banks	4	448,523	1,072,707
Financial assets at amortized cost	5	1,574,476	1,275,000
Other assets	6	19,667	44,564
Total assets		<u>2,042,666</u>	<u>2,392,271</u>
 <u>LIABILITIES</u>			
Other liabilities and accrued expenses	7	5,728	3,988
Income tax provision	13	42,107	58,555
Total Liabilities		<u>47,835</u>	<u>62,543</u>
Net Assets		<u>1,994,831</u>	<u>2,329,728</u>
 Net Assets are comprised of the following:			
Per value of investment units	9	1,775,000	2,138,700
Issuance discount	8	(64,144)	(74,723)
Increase in net assets from operations		283,975	265,751
Total Net Assets		<u>1,994,831</u>	<u>2,329,728</u>
		<u>Fils /Dinar</u>	<u>Fils /Dinar</u>
 Net asset value per unit	9	<u>112/385</u>	<u>108/932</u>

The attached notes from 1 to 14 form part of these financial statements

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
Revenues -			
Interest Income	10	100,503	181,646
Gains (losses) on sale of financial assets at fair value through profit or loss	11	10,351	(6,080)
Cash dividends		-	188
Gross Revenue		<u>110,854</u>	<u>175,754</u>
Expenses -			
Management fees	12	27,445	29,213
General and administrative expenses		7,332	11,153
Commissions on trade of financial assets at fair value through profit or loss		-	215
Total Expenses		<u>34,777</u>	<u>40,581</u>
Increase in net assets before tax		76,077	135,173
Income tax	13	<u>(9,269)</u>	<u>(25,931)</u>
Increase in net assets from operation		<u>66,808</u>	<u>109,242</u>

The attached notes from 1 to 14 form part of these financial statements

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Nominal value of Investment unit	Issuance discount	Increase in net assets from operations	Total
	JD	JD	JD	JD
2016 -				
Balance at 1 January 2016	2,138,700	(74,723)	265,751	2,329,728
Investment units redeemed during the year	(363,700)	10,579	(48,584)	(401,705)
Increase in net assets from operations	-	-	66,808	66,808
Balance at 31 December 2016	<u>1,775,000</u>	<u>(64,144)</u>	<u>283,975</u>	<u>1,994,831</u>
2015 -				
Balance at 1 January 2015	2,187,300	(80,399)	166,795	2,273,696
Investment units issued during the year	49,200	2,205	-	51,405
Investment unit redeemed during the year	(97,800)	3,471	(10,286)	(104,615)
Increase in net assets from operations	-	-	109,242	109,242
Balance at 31 December 2015	<u>2,138,700</u>	<u>(74,723)</u>	<u>265,751</u>	<u>2,329,728</u>

The attached notes from 1 to 14 form part of these financial statements

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 JD	2015 JD
<u>OPERATING ACTIVITIES</u>		
Increase in net assets before tax	76,077	135,173
Adjustments -		
Gains (losses) on sale of financial assets at fair value through profit or loss	(10,351)	6,080
Cash flow from operating activities before changes in assets and liabilities	65,726	141,253
Changes in assets and liabilities -		
Decrease in other debit balances	24,898	9,917
Increase (decrease) in other credit balances and accrued expenses	1,740	(297)
Net cash flows from operating activities before tax	92,364	150,873
Income tax paid	(25,717)	(27,797)
Net cash flows from operating activities	66,647	123,076
<u>INVESTING ACTIVITIES</u>		
Purchase of financial assets through profit or loss	(1,865,167)	(76,315)
Proceeded from sale of financial assets at fair value through profit or loss	301,041	70,235
Proceeded from matured financial assets at amortized cost	1,275,000	825,000
Net cash flows (used in) from investing activities	(289,126)	818,920
<u>FINANCING ACTIVITIES</u>		
Investment units issued during the year	-	51,405
Investment units redeemed during the year	(401,705)	(104,615)
Net cash flows used in financing activities	(401,705)	(53,210)
Net (decrease) increase in cash and cash equivalents	(624,184)	888,786
Cash and cash equivalents at the beginning of the year	1,072,707	183,921
Cash and cash equivalents at the end of the year	448,523	1,072,707

The attached notes from 1 to 14 form part of these financial statements

(1) GENERAL

Capital Bank of Jordan as the fund manager has established Horizon Fund – Capital Bank, which serves as an investment unit with a variable capital registered in accordance with the Securities Law No. 76 of 2002, and the instructions issued pursuant thereto. The Jordanian Securities Commission (JSC) in their letter No. (4) dated November 22, 2004 approved the establishment of the fund. The fund commenced its operations on 1 March 2005.

Jordan Kuwait Bank (Jordan) has been appointed as an investment trustee.

Assets held by the Fund are invested in a portfolio of certificates of deposit, bank deposits, short-term fixed-income securities, treasury bills, treasury bonds, loans issued by public shareholding companies and shares of public shareholding companies in financial markets, referred to thereafter as target markets.

(2) SUMMARY OF INVESTMENT OBJECTIVES, TARGET MARKETS AND GENERAL INVESTMENT RULES

Investment Objectives

The fund aims to achieve medium to long-term capital growth in net asset value by increasing the market value of held securities, in addition to interest income on bank deposits, bonds and dividend income on the Fund's investments in public shareholding companies.

The Fund also aims to control the risks associated with the targeted financial markets by diversifying the Fund's investments among the available investment instruments, and distributing the Fund's investments among the approved financial markets in order to reduce the risk of price fluctuations in these markets.

Target Markets

Since the onset of its operations, the Fund has invested its assets in the Hashemite Kingdom of Jordan, Egypt, Lebanon, Palestine and Britain, as well as the GCC, in accordance with the permitted limits referred to in the General Investment Rules.

General Investment Rules

These rules are the principles that must be followed when investing the Fund's assets in various instruments to achieve its objective of reducing investment risks by diversifying its investments in various securities and various markets in concert with the rules listed below:

- The Fund shall invest at least 5% of its assets in deposits and certificates of deposit in the targeted financial markets.
- The Fund invests at least 20% of its assets in bonds issued by governments and companies in the targeted financial markets.
- The Fund's total investment in a single target market shall not exceed 25% of the total assets, except for Jordan.
- The Fund shall not invest more than 5% of its assets in any securities issued by a single company or issuer, except for securities issued by or guaranteed by either the Jordanian Government or the Central Bank of Jordan.
- The Fund shall not invest more than 10% of the total issued securities of a single source.
- The Fund shall not invest more than 10% of the value of its assets in securities issued by other investment funds.
- The Fund may invest no more than 10% of its total assets outside the targeted financial markets.
- The Fund's total debt and banking facilities shall not exceed 10% of the net market value of its assets.
- The Fund is committed not to exercise open sale or investment in securities issued by the Fund Manager or any of its affiliated companies.
- The Fund may invest no more than 10% of its total assets in securities not listed in financial markets.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Fund's assets valuation

- Securities quoted and traded in the targeted markets shall be valued at the closing price available for these securities on the valuation date.
- The unquoted securities that do not have a market price are valued at the cost or estimated by the treasurer in cooperation with the fund manager whichever is less and based on the following:
 1. The net book value of the investee company based on audited financial statements.
 2. The fair value of its assets based on its ability to generate future revenues.
- Interest income is recognized on daily basis.
- Dividend income is recognized when declared.

Determining the Fund's liabilities and obligations

- Interest accrued by the Fund arising from borrowing is calculated on daily basis.
- The cost of liquidating the assets is estimated at each valuation date.
- The Fund's manager and Investment Trustee fees shall be calculated at each valuation date.
- Performance fees are estimated if achieved on each evaluation day.

Income tax

- Tax expenses represent tax amounts incurred during the period.
- Incurred taxes are calculated based on taxable profits. Taxable profits differ from those declared in the financial statements since declared profits include non-taxable income or non-deductible expenses in the current fiscal year but in subsequent years, in addition to items that are not subject to or undeductible for tax purposes.

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
NOTES TO THE FINANCIAL STATEMENTS
As At 31 DECEMBER 2016

(4) BALANCES AT BANKS

The details of this item are as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Term deposits	448,523	1,072,707
	<u>448,523</u>	<u>1,072,707</u>

All deposits are in Jordanian Dinars with the Capital Bank of Jordan. The interest rate granted on the deposits is 4% per annum and the term deposits are due within three months from the date of the deposit.

(5) FINANCIAL ASSETS AT AMORTIZED COST

The details of this item are as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Investments in bonds and governmental bonds at amortized cost	1,574,476	1,275,000

Bonds and government bonds mature between 2016 and 2026 with an average annual interest rate ranged between 4% and 6.40%.

(6) OTHER ASSETS

The details of this item are as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Accrued interest income on bonds	18,415	41,154
Accrued interest income on deposits	1,252	3,410
	<u>19,667</u>	<u>44,564</u>

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
NOTES TO THE FINANCIAL STATEMENTS
As At 31 December 2016

(7) OTHER CREDIT LIABILITIES AND ACCRUED EXPENSES

The details of this item are as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Management fees	1,700	1,978
Professional fees	3,480	1,392
Investment trustee fees	425	495
Others	123	123
	<u>5,728</u>	<u>3,988</u>

(8) ISSUANCE DISCOUNT

This item represents the amount paid by the investor above or below the nominal value of the investment units. This balance represents the share of the unit before selling it to the investor as a result of the earned income in the previous period in order to preserve the right of the former investors.

(9) NET ASSET VALUE PER UNIT

The nominal value of the investment units amounted to JD 1,775,000 divided into 17,750 units with a nominal value of JD 100 per unit as at 31 December 2016, compared to JD 2,138,700 distributed divided into 21,387 units as at 31 December 2015. The value of the investment unit as at 31 December were as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Total net assets (Dinar)	1,994,831	2,329,728
Investment units	<u>17,750</u>	<u>21,387</u>
Net asset value per unit (Fils/Dinar)	<u>112/385</u>	<u>108/932</u>

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

(10) INTEREST INCOME

The details of this item are as follow:

	<u>2016</u> JD	<u>2015</u> JD	<u>Interest Rate</u>
Interest Income on deposits	35,963	16,069	4% Annually
Interest Income on bonds	<u>64,540</u>	<u>165,577</u>	4%-6.4% Annually
	<u>100,503</u>	<u>181,646</u>	

(11) GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follow:

	<u>2016</u> JD	<u>2015</u> JD
Gains (losses) on sale of financial assets at fair value through profit or loss	10,351	(6,080)
	<u>10,351</u>	<u>(6,080)</u>

(12) MANAGEMENT FEES

This item represents the fees incurred by the Fund including:

1. Performance fees	Capital Bank of Jordan	20% Annually*
2. Management fees	Capital Bank of Jordan	1% Annually
3. Fund trustee fees	Jordan Kuwait Bank	0.25% Annually

* If the Fund achieves a return of more than 8% per annum, 20% of the realized profits shall be deducted as a performance fee, which are calculated every 15 days and paid on the first business day of each month.

The above fees are calculated daily based on the Fund's net assets value on the valuation day, and paid out monthly.

HORIZON FUND – CAPITAL BANK
(OPEN INVESTMENT FUND)
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

The details of this item are as follow:

	2016	2015
	JD	JD
Management fees	21,054	23,371
Performance fees	1,129	-
Fund trustee fees	5,262	5,842
	<u>27,446</u>	<u>29,213</u>

(13) INCOME TAX

The movement of income tax provision is as follows:

	2016	2015
	JD	JD
Beginning balance	58,555	60,421
Charged for the year	18,063	25,931
Income tax paid	(25,717)	(27,797)
Recovered balances from prior years*	(8,794)	-
Ending balance	<u>42,107</u>	<u>58,555</u>

Income tax presented in the statement of operations include the following:

	2016	2015
	JD	JD
Income tax accrued on current year profit	15,053	25,258
Income tax paid on prior years	1,104	-
Income tax paid on deposits' interest	1,906	673
Recovered balances from prior years*	(8,794)	-
	<u>9,269</u>	<u>25,931</u>

Enacted income tax rate according to Jordanian Law	20%	20%
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The Fund reached a final settlement with the Income and Sales Tax department for the year 2014. Which resulted in reversing a tax provision of JD 8,794.

(14) DISTRIBUTABLE PROFIT AND NON-DISTRIBUTABLE PROFIT

Based on the Fund's registration documents, income is distinguished into two types: distributable profits and non-distributable profits. Where distributable profits represent interest income on deposits and certificates of deposit, interest on bonds and cash dividends received in cash. While non-distributable profits include capital income of securities trading and revaluation income. To calculate distributable and non-distributable profits, expenses associated with each type are subtracted to calculate the net profit for each type, while operating costs are distributed between the two types on a pro rata basis.