

**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyadh Capital)**  
**Interim Financial Statements (Un-Audited)**  
**For the six month period ended 30 June 2018**  
Together with the  
**Review report to the Unitholders**

**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyadh Capital)**

**Interim Financial Statements (Un-Audited)**  
**For the period ended 30 June 2018**

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INDEPENDENT AUDITOR'S REVIEW REPORT

THE UNITHOLDERS  
RIYAD SAUDI EQUITY SHARIA FUND  
KINGDOM OF SAUDI ARABIA

**Introduction:**

We have reviewed the accompanying interim statement of assets and liabilities of **RIYAD SAUDI EQUITY SHARIA FUND** ("the Fund") managed by Riyad Capital (the "Fund Manager") as at 30 June 2018 and the related interim statements of income, changes in net assets attributable to Unitholders and statement of cash flows for the six month period then ended and the accompanying notes which form an integral part of these interim condensed financial statements. The Fund's management is responsible for the preparation and fair presentation of these interim condensed financial in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**Scope of Review:**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of these interim condensed financial statements 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, it 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 interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia

For and on behalf of  
PKF Al Bassam & Co.  
Allied Accountant

Ibrahim A. Al-Bassam  
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15 August 2018

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**Riyad Saudi Equity Sharia Fund**  
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**INTERIM STATEMENT OF ASSETS AND LIABILITES (Un-audited)**

		As at 30 June 2018	As at 31 December 2017	As at 1 January 2017
	Note	SAR	SAR	SAR
<b>ASSETS</b>				
Cash balance	9	24,053,793	16,855,584	85,523,470
Investments measured at FVPL	6	1,184,790,622	1,068,470,018	1,062,988,149
Dividend receivable		969,649	1,500	-
<b>Total assets</b>		<b>1,209,814,064</b>	<b>1,085,327,102</b>	<b>1,148,511,619</b>
<b>LIABILITIES</b>				
Accrued expenses	9	5,488,199	4,979,375	4,790,020
Redemptions payable		-	-	11,846,870
<b>Total liabilities</b>		<b>5,488,199</b>	<b>4,979,375</b>	<b>16,636,890</b>
<b>Net assets attributable to the Unit holders</b>		<b>1,204,325,865</b>	<b>1,080,347,727</b>	<b>1,131,874,729</b>
Units in issue (number)	7	150,249,434.88	162,155,431.45	169,965,556.19
Net assets attributable to each unit		8.0155	6.66	6.66

**Riyad Saudi Equity Sharia Fund**  
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**INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)**

<b>Income</b>		<b>Period ended 30 June 2018</b>	<b>Period ended 30 June 2017</b>
	Note	SAR	SAR
Net gain from FVPL	8	<b>197,496,530</b>	21,923,442
Dividend income		<b>27,766,869</b>	25,843,592
		<b>225,263,399</b>	47,767,034
<b>Expenses</b>			
Fund Management fees	9	<b>(10,100,548)</b>	(9,476,082)
Other expenses	9	<b>(654,002)</b>	(42,016)
		<b>(10,754,550)</b>	(9,518,098)
<b>Net income for the period</b>		<b>214,508,849</b>	38,248,936

**Riyad Saudi Equity Sharia Fund  
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**INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE  
UNIT HOLDERS (UN-AUDITED)**

	Period ended 30 June 2018	Period ended 30 June 2017
	SAR	SAR
Net assets attributable to the Unit holders at beginning of the period	1,080,347,727	1,131,874,729
Net income for the period	214,508,849	38,248,936
<b>Changes from unit transactions:</b>		
Issuance of units	9,563,491	482,568
Redemption of units	(100,094,202)	(21,970,705)
<b>Net changes from unit transactions</b>	<b>(90,530,711)</b>	<b>(21,488,137)</b>
<b>Net assets attributable to the Unit holders at end of the period</b>	<b>1,204,325,865</b>	<b>1,148,635,528</b>

**Riyad Saudi Equity Sharia Fund**  
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**INTERIM STATEMENT OF CASH FLOWS (Un-audited)**

	Note	Period ended 30 June 2018	Period ended 30 June 2017
		SAR	SAR
<b>Cash flows from operating activities:</b>			
Net income for the period		214,508,849	38,248,936
Adjustments for:			
Unrealized net gains on FVPL	8	(163,370,917)	(35,551,567)
		51,137,932	2,697,369
<b>Net changes in operating assets and liabilities:</b>			
Investments measured at FVPL		47,050,313	(2,087,446)
Accrued expenses		(968,149)	(384,064)
Dividend receivable		508,824	(238,751)
<b>Net cash from(used in) operating activities</b>		<b>97,728,920</b>	<b>(12,892)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of units		9,563,491	482,568
Redemptions of the units		(100,094,202)	(33,718,891)
<b>Net cash used in financing activities</b>		<b>(90,530,711)</b>	<b>(33,236,323)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>7,198,209</b>	<b>(33,249,215)</b>
Cash and cash equivalents at beginning of the period		16,855,584	85,523,470
<b>Cash and cash equivalents at end of the period</b>		<b>24,053,793</b>	<b>52,274,255</b>

**Riyad Saudi Equity Sharia Fund**  
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**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

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**1 FUND AND ITS ACTIVITIES**

The Riyadh Saudi Equity Sharia Fund (the “Fund”) is a local investment fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the Fund investors (the “Unitholders”). The objective of the Fund is to provide capital growth by investing in Saudi Stock Companies, within the criteria set by the Sharia committee.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares a separate financial statement for the Fund.

The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s Agreement, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

Saudi Arabian Monetary Agency’s approval for the establishment of the Fund was granted in its letter number MAI/169 dated 26, Rabi’II 1417H (corresponding to 09 September 1996). The Fund commenced its operations on 21 November 1996

The name of fund has been changed from Riyadh Equity Fund 2 to Riyadh Saudi Equity Sharia Fund starting from 1 April 2018.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before 1 January 2018, those policies have been particularly specified.

**2.1 Basis of preparation**

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia.

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organization for Certified Public Accountants (“SOCPA”). The financial statements for the period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS (Note 3).

The financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial assets measured at fair value through profit or loss.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

**2.2 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates

The notes on pages 7 to 19 form an integral part of these financial statements.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Transactions and balances (continued)*

Prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

**2.3 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalent consists of bank balances. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

**2.4 Receivables**

*Policy applicable before 1 January 2018*

Receivables are non - derivative financial assets with fixed or determinable payments that are not quoted in an active market and arise during the ordinary course of the business. Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost using the effective commission method, less provision for impairment.

*Policy applicable from 1 January 2018*

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

**2.5 Financial instruments**

**2.5.1 Change in accounting policies**

The Fund has adopted IFRS 9 'Financial Instruments' as issued by the International Accounting Standards Board (IASB) in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 9 and IFRS 1 (Note 3), the Fund elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and liabilities at the date of transition, if any, were recognised in the opening retained earnings of the current period.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Fund. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous SOCPA compliant accounting policies applied in the comparative periods) are described in more detail in below notes.

**Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under SOCPA and IFRS 9 as at 1 January 2018 are compared as follows:

		SOCPA		IFRS 9	
Measurement category		Carrying amount	Measurement category	Carrying amount	
		SAR		SAR	
<b>Financial assets</b>					
Cash and cash equivalents	Amortised cost (Loans and receivables)	16,855,584	Amortised cost	16,855,584	
Held for trading investments	FVPL (Held for trading)	1,068,470,018	FVPL (Mandatory)	1,068,470,018	
Dividend receivable	Amortised cost (Loans and receivables)	1,500	Amortised cost	1,500	
<b>Total financial assets</b>		<b>1,085,327,102</b>		<b>1,085,327,102</b>	

The notes on pages 7 to 19 form an integral part of these financial statements.

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5 Financial instruments (continued)**

There were no changes to the classification and measurement of financial liabilities.

**Reconciliation of statement of financial position balances from SOCPA to IFRS 9**

The Fund performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 2.5.2 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with SOCPA to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	Ref	SOCPA amount 31 December 2017	Reclassifications	Remeasu re-ments	IFRS 9 amount 1 January 2018
		SAR	SAR	SAR	SAR
<b>Amortised cost</b>					
Cash and cash equivalents		16,855,584	-	-	16,855,584
Dividend receivable		1,500	-	-	1,500
<b>Fair value through profit or loss</b>					
Held for trading investments	A	1,068,470,018	(1,068,470,018)	-	-
Investments measured at FVPL	A	-	1,068,470,018	-	1,068,470,018

The following notes explain how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Fund as shown in the tables above.

A) Previously classified held for trading investments under SOCPA have been reclassified as investments measured at fair value through profit or loss, with no changes to measurement basis;

**2.5.2 Classification and measurement of financial assets at fair value through profit or loss**

*Policy applicable from 1 January 2018*

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and

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#### **Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.5 Financial instruments (continued)**

#### **2.5.2 Classification and measurement of financial assets at fair value through profit or loss (continued)**

Losses are recognised in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of comprehensive income when the Fund's right to receive payments is established.

#### **2.5.3 Impairment of financial assets**

##### *Policy applicable from 1 January 2018*

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial instrument assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **2.5.4 Derecognition**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

#### **2.5.5 Financial liabilities**

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

## **2.6 Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

## **2.7 Accrued expenses and other payables**

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.8 Redeemable units**

The Fund is open for subscriptions/ redemptions of units on every Monday and Thursday. The net assets value of the Fund is determined every Monday and Thursday (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 value of net assets (fair value of Fund assets minus Fund liabilities) by the total number of outstanding units on the relevant Valuation Day.

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to unit holders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

**2.9 Zakat / Taxation**

Taxation/zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**2.10 Income recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Dividend income is recognized when the Fund's right to receive dividends is established.

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**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

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**3 FIRST-TIME ADOPTION OF IFRS**

The financial statements for the period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS endorsed by the Kingdom of Saudi Arabia. For periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by Saudi Organisation for Certified Public Accountants (“SOCPA”).

Accordingly, the Fund has prepared the financial statements that comply with IFRS applicable as at 30 June 2018, together with the comparative periods as at 1 January 2017 and as at 31 December 2017. This note explains the principal adjustments made by the Fund in restating its previous statements of financial positions as at 1 January 2017 and 31 December 2017 which had been prepared in accordance with the requirements of SOCPA.

*Exemptions applied*

IFRS 1 ‘*First-time Adoption of International Financial Reporting Standards*’ allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Fund has applied the following exemption:

The Fund has adopted IFRS 9 as issued by International Accounting Standards Board in July 2014 with a date of transition of 1 January 2018, which resulted in adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition, if any, were recognised in the opening retained earnings (1 January 2018) and other reserves of current period. Accordingly, the information presented in comparative periods reflect the requirements under SOCPA and therefore is not comparable to the information presented under the requirements of IFRS 9 for the period ended 30 June 2018.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

The following assessment have been made on the basis of the facts and circumstances that existed at the date of transition to IFRS 9:

- Determination of the business model within which a financial asset is held;
- Designation and revocation of previous designations of certain financial assets as measured at fair value through profit or loss.

*Estimates*

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with SOCPA.

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Notes to the Interim Condensed financial statements for the period ended 30 June 2018

**3 FIRST-TIME ADOPTION OF IFRS (continued)**

*The reconciliation of equity of the Fund as at 1 January 2017 and 31 December 2017*

	SOCPA 1 January 2017	Effect of transition to IFRS	IFRS 1 January 2017
	SAR	SAR	SAR
<b>ASSETS</b>			
Cash and cash equivalents	85,523,470	-	85,523,470
Investments measured at FVPL	1,062,988,149	-	1,062,988,149
<b>Total assets</b>	<b>1,148,511,619</b>	<b>-</b>	<b>1,148,511,619</b>
<b>LIABILITIES</b>			
Accrued expenses	4,790,020	-	4,790,020
Redemption payable	11,846,870	-	11,846,870
<b>Total liabilities</b>	<b>16,636,890</b>	<b>-</b>	<b>16,636,890</b>
<b>Net assets attributable to the Unit holders</b>	<b>1,131,874,729</b>	<b>-</b>	<b>1,131,874,729</b>

		SOCPA 31 December 2017	Effect of transition to IFRS	IFRS 31 December 2017
	Note	SAR	SAR	SAR
<b>ASSETS</b>				
Cash and cash equivalents		16,855,584	-	16,855,584
Investments measured at FVPL	7	1,068,470,018	-	1,068,470,018
<i>Dividend receivable</i>		1,500	-	1,500
<b>Total assets</b>		<b>1,085,327,102</b>	<b>-</b>	<b>1,085,327,102</b>
<b>LIABILITIES</b>				
Accrued expenses	10	4,979,375	-	4,979,375
<b>Total liabilities</b>		<b>4,979,375</b>	<b>-</b>	<b>4,979,375</b>
<b>Net assets attributable to the Unit holders</b>		<b>1,080,347,727</b>	<b>-</b>	<b>1,080,347,727</b>

*The notes to reconciliation of equity of the Fund as at 1 January 2017 and 31 December 2017*

Under SOCPA, the Fund used to classify net assets attributable to unitholders as liability. Under IFRS, in accordance with the requirements of IAS 32, the net assets attributable to unitholders has been classified as equity (Note 2.8).

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**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

**3 FIRST-TIME ADOPTION OF IFRS (continued)**

*The reconciliation of total comprehensive income of the Fund for the year ended 31 December 2017*

	SOCPA 31 December 2017 SAR	Effect of transition to IFRS	IFRS 31 December 2017 SAR
<b>Income</b>			
Net loss from FVPL	(22,392,569)	-	(22,392,569)
Dividend income	42,374,386	-	42,374,386
	<b>19,981,817</b>	-	<b>19,981,817</b>
<b>Expenses</b>			
Fund management fee	(19,820,271)	-	(19,820,271)
Other expenses	(88,115)	-	(88,115)
	<b>(19,908,386)</b>	-	<b>(19,908,386)</b>
<b>SOCPA Net income for the year / IFRS Profit for the year</b>	<b>73,431</b>	-	<b>73,431</b>

*The Fund's operating, investing and financing cash flows reported under SOCPA did not significantly differ from IFRS.*

**4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

*Fair value of securities not quoted in an active market*

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.

**5 MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES**

On each Valuation day, the Fund Manager charges the Fund, a management fee at the rate of 1.5 percent per annum of the Fund's net asset value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges. These charges are not expected to exceed in total 0.2 percent per annum of the Fund's net assets value.

In addition, on daily basis the Fund Manager charges the Fund, custody and administration fees each at the rate of 0.035% (2017: 0.1 %) and 0.2 percent per annum of the Fund's net asset value respectively.

## Riyad Saudi Equity Sharia Fund

### Open-Ended Fund

(Managed by Riyad Capital)

Notes to the Interim Condensed financial statements for the period ended 30 June 2018

#### 6 INVESTMENTS MEASURED AT FVPL

The Fund invests primarily in equity securities of listed Saudi companies. The market value of trading investment portfolio by sector wise is summarized as follows:

	30 June 2018 Market Value	31 December 2017 Market Value	1 January 2017 Market Value
<b>Equities:</b>			
Banks	414,932,021	284,076,314	235,259,372
Materials	473,463,476	449,227,711	407,949,480
Capital Goods	17,456,641	13,841,029	12,939,200
Retailing	27,458,549	45,387,617	18,527,647
Food & Beverages	53,338,257	88,681,386	84,415,857
Real Estate Mgmt & Dev't	22,796,276	16,267,452	80,442,431
Consumer Services	7,900,175	9,220,355	30,733,461
Telecommunication Services	72,349,844	52,514,672	13,793,844
Insurance	9,574,680	21,247,519	26,666,423
Commercial & Professional Svc	20,587,668	9,585,568	48,223,677
Transportation	4,614,999	12,823,522	25,638,696
Food & Staples Retailing	10,243,142	16,970,898	2,202,574
Health Care Equipment & Svc	50,074,894	48,625,975	54,100,062
Pharma, Biotech & Life Science	-	-	22,095,425
<b>Total Market value</b>	<b>1,184,790,622</b>	<b>1,068,470,018</b>	<b>1,062,988,149</b>
<b>Total Cost</b>	<b>1,021,419,705</b>	<b>1,040,660,298</b>	<b>957,650,036</b>

#### 7 UNIT TRANSACTIONS

Transactions in units for the period are summarized as follows:

	30 June 2018	31 December 2017
	<i>(Units in numbers)</i>	
Units at the beginning of the period / year	162,155,431.45	169,965,556.19
Units issued	1,270,013.58	493,647.98
Units redeemed	(13,176,010.15)	(8,303,772.72)
Net change in units	(11,905,996.57)	(7,810,124.74)
Units at the end of the period / year	150,249,434.88	162,155,431.45

#### 8 NET GAIN FROM INVESTMENTS MEASURED AT FVPL

	30 June 2018	30 June 2017
Realized gain / (loss) from sale of Investments measured at FVPL	34,125,613	(13,628,125)
Unrealized gain from revaluation of Investments measured at FVPL	163,370,917	35,551,567
	197,496,530	21,923,442

The notes on pages 7 to 19 form an integral part of these financial statements.



**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyad Capital)**

**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

**9 TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Fund include “Riyad Capital” being the Fund Manager, Riyad Bank (being the owner of Riyad Capital) and other funds managed by the Fund Manager.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund’s Board of Directors.

As at 28 June 2018 the cash held with Riyad Capital in investments account was SAR 24,053,793(2017: SAR 16,855,584).

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related Party	Nature of transactions	Amount of transaction during the period		Closing balance (Payable)		
		30 June 2018	30 June 2017	30 June 2018	31 December 2017	1 January 2017
Riyad Capital	Fund management fee	(10,100,548)	(9,476,082)	(5,456,942)	(4,956,806)	(4,780,314)
	Expenses incurred on behalf of the Fund	(654,002)	(42,016)	(31,257)	(22,569)	(9,706)

**10 FINANCIAL INSTRUMENTS BY CATEGORY**

30 June 2018	Amortised cost	FVPL
<b>Assets as per statement of Assets and liabilities</b>	SAR	SAR
Cash and cash equivalents	24,053,793	-
Investments measured at FVPL	-	1,184,790,622
Dividend receivable	969,649	-
<b>Total</b>	<b>25,023,442</b>	<b>1,184,790,622</b>

  

31 December 2017	Amortised cost	FVPL
<b>Assets as per statement of Assets and liabilities</b>	SAR	SAR
Cash and cash equivalents	16,855,584	-
Investments measured at FVPL	-	1,068,470,018
Dividend receivable	1,500	-
<b>Total</b>	<b>16,857,084</b>	<b>1,068,470,018</b>

**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyad Capital)**

**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

**10 FINANCIAL INSTRUMENTS BY CATEGORY( continued)**

<b>1 January 2017</b>	<b>Amortised cost</b>	<b>FVPL</b>
<b>Assets as per statement of Assets and liabilities</b>	<b>SAR</b>	<b>SAR</b>
Cash and cash equivalents	85,523,470	-
Investments measured at FVPL	-	1,062,988,149
<b>Total</b>	<b>85,523,470</b>	<b>1,062,988,149</b>

All financial liabilities as at 30 June 2018 were classified as financial liabilities measured at amortised cost category. All financial liabilities as at 31 December 2017 and 1 January 2017 were classified as other financial liabilities category and measured at amortised cost.

**11 FINANCIAL RISK MANAGEMENT**

**11.1 Financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

*Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, Fund has equity investments in Investee Funds.

**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyadh Capital)**

**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

**11 FINANCIAL RISK MANAGEMENT** (continued)

**11.1 Financial risk factors** (continued)

**(a) Market risk** (continued)

*Price risk* (continued)

	30 June 2018		31 December 2017		1 January 2017	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Banks	1%	4,149,320	1%	2,840,763	1%	2,352,594
Materials	1%	4,734,635	1%	4,492,277	1%	4,079,495
Capital Goods	1%	174,566	1%	138,410	1%	129,392
Retailing	1%	274,585	1%	453,876	1%	185,276
Food & Beverages	1%	533,383	1%	886,814	1%	844,159
Telecommunication Services	1%	723,498	1%	525,147	1%	804,424
Insurance	1%	95,747	1%	212,475	1%	307,335
Commercial & Professional Svc	1%	205,877	1%	95,856	1%	137,938
Real Estate Mgmt & Dev't	1%	227,963	1%	162,675	1%	266,664
Transportation	1%	46,150	1%	128,235	1%	482,237
Consumer Services	1%	79,002	1%	92,204	1%	256,387
Food & Staples Retailing	1%	102,431	1%	169,709	1%	22,026
Health Care Equipment & Svc	1%	500,749	1%	486,260	1%	541,001
Pharma, Biotech & Life Science	1%	-	1%	-	1%	220,954

**(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its investment portfolio, receivables and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on Monday and Thursday and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

**Riyad Saudi Equity Sharia Fund**  
**Open-Ended Fund**  
**(Managed by Riyadh Capital)**

**Notes to the Interim Condensed financial statements for the period ended 30 June 2018**

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**11 FINANCIAL RISK MANAGEMENT (continued)**

**11.1 Financial risk factors (continued)**

**(c) Liquidity risk (continued)**

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

**11.2 Fair value estimation**

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Fund has classified the fair value hierarchy of all investments as Level 1.

As at the statement of financial position date, the Fund Manager believes the Fund could have redeemed its investment at the net asset value per unit. The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values.

**12 CHANGES IN FUND'S TERMS AND CONDITIONS**

There are some changes made to the terms and conditions of the Fund.

<b>Title</b>	<b>The previous version</b>	<b>The new version</b>
<b>Fund name</b>	Riyad Equity Fund 2	Riyad Saudi Equity Sharia Fund
<b>Dealing days</b>	Monday and Wednesday	Monday and Thursday
<b>Custodian</b>	Riyad Capital	Northern Trust Saudi Arabia

**13 LAST VALUATION DAY**

The last valuation day of the year was 28 June 2018(22 June 2017).

**14 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the Fund Manager on 15 August 2018 (corresponding to 04 Dhu'l Hijja 1439 H)

The notes on pages 7 to 19 form an integral part of these financial statements.

## Annex- Fund Information:

### 1- Name & Address:

Riyad Capital is a Saudi Closed Joint Stock Company with Paid Up Capital of SR 200,000,000 licensed by The Saudi Arabian Capital Market Authority (NO. 07070-37). Commercial Registration No. 1010239234 Head Office: 6775 Takhassusi Street- Olaya, Riyadh 12331-3712, Saudi Arabia.

Website: <http://www.riyadcapital.com>

### 2- Investment activities during the period:

The fund has invested mainly in traded Saudi equities. The market value of the investment portfolio by sector as at 30 June 2018 is summarized below:

<b>Banks</b>	<b>414,932,021</b>
<b>Materials</b>	<b>473,463,476</b>
<b>Capital Goods</b>	<b>17,456,641</b>
<b>Retail</b>	<b>27,458,549</b>
<b>Food &amp; Beverages</b>	<b>53,338,257</b>
<b>Real Estate Mgmt &amp; Dev't</b>	<b>22,796,276</b>
<b>Consumer Services</b>	<b>7,900,175</b>
<b>Telecommunication Services</b>	<b>72,349,844</b>
<b>Insurance</b>	<b>9,574,680</b>
<b>Commercial &amp; Professional Svc</b>	<b>20,587,668</b>
<b>Transportation</b>	<b>4,614,999</b>
<b>Food &amp; Staples Retailing</b>	<b>10,243,142</b>
<b>Health Care Equipment &amp; Svc</b>	<b>50,074,894</b>
<b>Total</b>	<b><u>1,184,790,622</u></b>

### 3- Report on the performance of the Investment Fund during the period:

Benchmark	Fund Performance
15.22	20.89

**4- Any changes in terms & conditions and information note during the period:**

There are changes on the following:

- 1- Fund`s goals.
- 2- Investments scope.
- 3- Dealing days (Monday and Thursday).
- 4- Shariah rules.
- 5- Fund Board members.
- 6- The Custodian.

Custodian changed to:

a. Name of Custodian:

Northern Trust Saudi Arabia (Closed Joint Stock Company) - Paid up capital of SR 52 million operating under license from the Capital Market Authority No. (26-12163) - Commercial Registration No. 1010366439

B. Custodian's Address:

Northern Trust Saudi Arabia

Palm Tower, Floor 11

King Fahd Road, Al Nakheel District

PO Box 7508 Riyadh 12381

Kingdom of Saudi Arabia

Tel: + 966112171017 Fax: +966112172406

**5- Other Information:**

More information can be found on the Fund's website, where periodic reports are published on the Fund's characteristics and performance that enable unit holders to make their decisions.

**6- The Fund's investments in other funds:**

The Fund has no investments in other funds.

**7- Special Commission:**

The Fund Manager did not receive any special commission during the period.

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