

RIYAD EUROPEAN EQUITY FUND
Open-Ended Fund
(Managed by Riyad Capital)
Interim Financial Statements (Un-Audited)
For the six month period ended 30 June 2018
Together with the
Review report to the Unitholders

RIYAD EUROPEAN EQUITY 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 EUROPEAN EQUITY FUND
KINGDOM OF SAUDI ARABIA

Introduction:

We have reviewed the accompanying interim statement of assets and liabilities of **RIYAD EUROPEAN EQUITY FUND** ("the Fund") managed by Riyadh 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

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15 August 2018

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RIYAD EUROPEAN EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)

INTERIM STATEMENT OF ASSETS AND LIABILITES (UN-AUDITED)

		As at 30 June 2018	As at 31 December 2017	As at 1 January 2017
	Note	EUR	EUR	EUR
ASSETS				
Investments measured at FVPL	6	39,935,194	42,870,617	40,429,685
Total assets		39,935,194	42,870,617	40,429,685
LIABILITIES				
Accrued expenses	9	60,780	5,419	20,300
Total liabilities		60,780	5,419	20,300
Net assets attributable to the Unit holders		39,874,414	42,865,198	40,409,385
Units in issue (number)	7	682,187.43	754,225.93	761,366.29
Net assets attributable to each unit		58.4508	56.83	53.07

RIYAD EUROPEAN EQUITY FUND
Open-Ended Fund
(Managed by Riyadh Capital)

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

		Period ended 30 June 2018	Period ended 30 June 2017
	Note	EUR	EUR
Income /Loss			
Net gain from FVPL	8	1,276,666	3,131,225
		1,276,666	3,131,225
Expenses			
Fund Management fees	9	(55,617)	-
Other expenses	9	(5,163)	(2,717)
		(60,780)	(2,717)
Net Income for the period		1,215,886	3,128,508

RIYAD EUROPEAN EQUITY FUND**Open-Ended Fund****(Managed by Riyad Capital)****INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE
UNIT HOLDERS (UN-AUDITED)**

	Period ended 30 June 2018	Period ended 30 June 2017
	EUR	EUR
Net assets attributable to the Unit holders at beginning of the period	42,865,198	40,409,385
Net income for the period	1,215,886	3,128,508
Changes from unit transactions:		
Issuance of units	159,191	133,765
Redemption of units	(4,365,861)	(415,027)
Net changes from unit transactions	(4,206,670)	(281,262)
Net assets attributable to the Unit holders at end of the period	39,874,414	43,256,631

RIYAD EUROPEAN EQUITY FUND**Open-Ended Fund****(Managed by Riyadh Capital)****INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**

		Period ended 30 June 2018	Period ended 30 June 2017
	Note	EUR	EUR
Cash flows from operating activities:			
Net income for the period		1,215,886	3,128,508
Adjustments for:			
Unrealized net gain on FVPL	8	(1,161,063)	(3,104,741)
		54,823	23,767
Net changes in operating assets and liabilities:			
Investments measured at FVPL		4,096,486	275,078
Accrued expenses		55,361	(17,583)
Net cash from operating activities		4,206,670	281,262
Cash flows from financing activities:			
Proceeds from issuance of units		159,191	133,765
Redemptions of the units		(4,365,861)	(415,027)
Net cash used in financing activities		(4,206,670)	(281,262)
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		-	-

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyadh Capital)

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

1 FUND AND ITS ACTIVITIES

The Riyadh European Equity Fund (the “Fund”) is an equity fund managed through an agreement between Riyadh Capital (the “Fund Manager”) and the fund investors (the “Unitholders”). The objective of the Fund is to achieve long-term capital growth from an actively managed portfolio of continental European equities.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund’s Management 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. Accordingly, pursuant to an agreement, dated 3 December 2002, Fidelity International acts as the Sub Fund Manager of the Fund and also acts as the sub-administrator and custodian of the Fund.

Saudi Arabia Monetary Agency’s approval for the establishment of the Fund was granted in its letter number 87/MA/25 dated 1 Muharram 1412 H (corresponding to 14 July 1991). The Fund commenced its operations on 12 May 1992.

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.

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyad Capital)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (“EUR”) which is the Fund’s functional and presentation currency.

2.3 Financial instruments

2.3.1 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 recognized 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 recognized 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
		EUR		EUR
Financial assets				
Held for trading investments	FVPL (Held for trading)	42,870,617	FVPL (Mandatory)	42,870,617
Total financial assets		42,870,617		42,870,617

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Open-Ended Fund

(Managed by Riyad Capital)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

2.3.1 Change in accounting policies (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.

		SOCPA amount 31 December 2017	Re- classifications	Re- measurements	IFRS 9 amount 1 January 2018
	Ref	EUR	EUR	EUR	EUR
Fair value through profit or loss					
<i>Held for trading investments</i>	A	42,870,617	(42,870,617)	-	-
<i>Investments measured at FVPL</i>	A	-	42,870,617	-	42,870,617

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;

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

2.3.2 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 losses are recognized 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 recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

2.3.3 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 amortized cost. The Fund recognizes 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Financial instruments (continued)

2.3.4 Derecognition

Financial assets, or a portion thereof, are derecognized 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.

2.3.5 Financial liabilities

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

2.4 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 realize the asset and settle the liability simultaneously.

2.5 Accrued expenses

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective commission rate method.

2.6 Redeemable units

The Fund is open for subscriptions/ redemptions of units from Monday to Wednesday. The net assets value of the Fund is determined from Monday to Wednesday (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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Redeemable units (continued)

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 recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

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

2.7 Zakat / Taxation

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

2.8 Revenue recognition

Revenue is recognized 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

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 Organization 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 recognized 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 recognized 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.

RIYAD EUROPEAN EQUITY FUND

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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*

	Note	SOCPA 1 January 2017 EUR	Effect of transition to IFRS EUR	IFRS 1 January 2017 EUR
ASSETS				
Investments measured at FVPL	6	40,429,685	-	40,429,685
Total assets		40,429,685	-	40,429,685
LIABILITIES				
Accrued expenses	9	20,300	-	20,300
Total liabilities		20,300	-	20,300
Net assets attributable to the Unit holders		40,409,385	-	40,409,385

	Note	SOCPA 31 December 2017 EUR	Effect of transition to IFRS EUR	IFRS 31 December 2017 EUR
ASSETS				
Investments measured at FVPL	6	42,870,617	-	42,870,617
Total assets		42,870,617	-	42,870,617
LIABILITIES				
Accrued expenses	9	5,419	-	5,419
Total liabilities		5,419	-	5,419
Net assets attributable to the Unit holders		42,876,036	-	42,876,036

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).

RIYAD EUROPEAN EQUITY FUND

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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

	Note	SOCPA 31 December 2017 EUR	Effect of transition to IFRS	IFRS 31 December 2017 EUR
Income				
Net gain from FVPL		2,464,349	-	2,464,349
		2,464,349	-	2,464,349
Expenses				
Other expenses		(5,419)	-	(5,419)
		(5,419)	-	(5,419)
SOCPA Net loss for the year / IFRS loss for the year		2,458,930		2,458,930

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 recognized 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.

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyad Capital)

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

5 MANAGEMENT FEE, ADMINISTRATION AND OTHER CHARGES

On daily basis, the sub Fund Manager charges the Fund, a management fee at the rate of 1.5 percent per annum of the Fund's net assets value. In addition, on daily basis the Sub Administrator and Custodian charges the Fund, custody and administration fees at the rate of 0.1 percent per annum and 0.3 percent per annum respectively of the Fund's net assets value. The net assets value of the fund being sub-managed and reported by the sub-manager to the fund manager, is net of the above mentioned fees rates totaling to 1.9% per annum.

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.

6 INVESTMENTS MEASURED AT FVPL

To date the Fund has invested exclusively with Fidelity International (Foreign Fund sub-Manager). The market value of trading investment portfolio is as follows:

	30 June 2018	31 December 2017	1 January 2017
Units in Fidelity European Stock Fund			
Number of units	2,519,570.62	2,785,615.13	2,784,413.56
Net Assets Value per unit	15.85	15.39	14.52
Total market value	39,935,194	42,870,617	40,429,685
Total cost	38,774,131	40,456,395	37,937,777

6.1 The cost of above held for trading investment portfolio amounted to EUR 38.77 million (21 June 2017: EUR 40.15 million).

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	754,225.93	761,366.29
Units issued	2,834.49	5,047.08
Units redeemed	(74,872.99)	(12,187.44)
Net change in units	(72,038.50)	(7,140.36)
Units at the end of the period / year	682,187.43	754,225.93

RIYAD EUROPEAN EQUITY FUND**Open-Ended Fund****(Managed by Riyadh Capital)****Notes to the Interim Condensed financial statements for the period ended 30 June 2018****8 NET GAIN FROM INVESTMENTS MEASURED AT FVPL**

	30 June 2018	30 June 2017
Realized gain from sale of Investments measured at FVPL	115,603	26,484
Unrealized gain from revaluation of Investments measured at FVPL	1,161,063	3,104,741
	1,276,666	3,131,225

9 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include “Riyad Capital” being the Fund Manager, Riyadh Bank (being the owner of Riyadh 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.

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

<u>Related Party</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance Payable</u>		
		<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Riyad Capital	Fund management fee	(55,617)	-	(55,617)	-	-
	Expenses incurred on behalf of the Fund	(5,163)	(2,717)	(5,163)	(5,419)	(20,300)
		(60,780)	(2,717)	(60,780)	(5,419)	(20,300)

RIYAD EUROPEAN EQUITY FUND

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

10 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2018	Amortized cost	FVPL
Assets as per statement of financial position	EUR	EUR
Investments measured at FVPL	-	39,935,194
Total	-	39,935,194

31 December 2017	Amortized cost	FVPL
Assets as per statement of financial position	EUR	EUR
Investments measured at FVPL	-	42,870,617
Total	-	42,870,617

1 January 2017	Amortized cost	FVPL
Assets as per statement of financial position	EUR	EUR
Investments measured at FVPL	-	40,429,685
Total	-	40,429,685

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

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyad 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

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.

	30 June 2018		31 December 2017		1 January 2017	
	%	EUR	%	EUR	%	EUR
Investments in Fidelity European Stock Fund	1%	399,351.94	1%	428,706.17	1%	404,296.85

(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 every Saudi business day 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.

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.

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyad 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)

(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 fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision of financial instruments carried at amortized cost are assumed to approximate their fair values.

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.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity and debt instruments. The Fund does not adjust the quoted price for these instruments.

Fund classifies all of its financial assets except for those carried at amortized cost, at fair value as level 1.

RIYAD EUROPEAN EQUITY FUND

Open-Ended Fund

(Managed by Riyadh Capital)

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

12 CHANGES IN FUND'S TERMS AND CONDITIONS

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

Title	The previous version	The new version
Fund name	European Stock Fund	Riyad European Equity Fund
Custodian	Riyad Capital	Northern Trust Saudi Arabia

13 LAST VALUATION DAY

The last valuation day of the period was 27 June 2018 (21 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 Dhual Hijja 1439 H)

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- Name and address of the Sub-Manager:

Fidelity Investments Luxembourg S.A.
Kansallis House, Place de l'Etoile, BP2174, L – 1021 Luxembourg
Tel +352250404
FAX +352250340/343

3- Investment activities during the period:

To date, the Fund has invested exclusively with Fidelity Global (the Foreign Fund Manager). The following table summarizes the portfolio held for trading:

Units in the Fidelity Fund for European equities	30/6/2018
No. of Units	2,519,570.62
NAV per Unit	15.85
Total	<u>39,935,194</u>

4- Report on the performance of the Investment Fund during the period:

Benchmark	Fund Performance
-3.51	2.85

5- 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- The fees and expenses.
- 4- Fund Board members.
- 5- 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

6- 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.

7- The Fund's investments in other funds:

The Fund has no investments in other funds.

8- Special Commission:

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