

Samba China Opportunities Fund (Al Izdihar)

Financial Statements and
Independent Auditor's Report
for the Year Ended December 31, 2018



Independent auditor's report to the unitholders and the Fund Manager of Samba China Opportunities Fund (Al Izdihar)

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Samba China Opportunities Fund (Al Izdihar) (the "Fund") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in net assets for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Fund Manager and those charged with governance for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as the Fund Manager 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, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are responsible for overseeing the Fund's financial reporting process.

Independent auditor's report to the unitholders and the Fund Manager of Samba China Opportunities Fund (Al Izdihar) (continued)

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of Fund Manager'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 exists, 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.

PricewaterhouseCoopers



By: _____
Bader I. Benmohareb
License Number 471

March 27, 2019

Samba China Opportunities Fund (Al Izdihar)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	<i>Notes</i>	<i>December 31, 2018 USD</i>	<i>December 31, 2017 USD</i>	<i>January 1, 2017 USD</i>
ASSETS				
Cash and cash equivalents		1,478	41,046	16,876
Investments at fair value through profit or loss	5	16,429,966	33,340,707	24,955,584
Other assets		10,000	-	-
		<u>16,441,444</u>	<u>33,381,753</u>	<u>24,972,460</u>
LIABILITIES				
Management fee payable	6	48,653	86,412	68,324
Other payables		72,859	68,601	80,825
		<u>121,512</u>	<u>155,013</u>	<u>149,149</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>16,319,932</u>	<u>33,226,740</u>	<u>24,823,311</u>
Units in issue		<u>696,536</u>	<u>1,129,118</u>	<u>1,156,721</u>
Per unit value		<u>USD 23.43</u>	<u>USD 29.43</u>	<u>USD 21.46</u>

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

Samba China Opportunities Fund (Al Izdihar)

STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2018

	<i>Notes</i>	2018 USD	2017 USD
INVESTMENT INCOME			
(Loss) / gain on investments at fair value through profit or loss, net	7	(4,278,741)	9,325,124
Special commission income		199	111
		(4,278,542)	9,325,235
EXPENSES			
Management fees	6	283,955	302,224
Others		16,953	31,024
		300,908	333,248
NET (LOSS) / INCOME FOR THE YEAR		(4,579,450)	8,991,987
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(4,579,450)	8,991,987

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

Samba China Opportunities Fund (Al Izdihar)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

	<i>Note</i>	2018 USD	2017 USD
OPERATING ACTIVITIES			
Net (loss) / income for the year		(4,579,450)	8,991,987
Adjustment for:			
Unrealised loss / (gain) on investments at fair value through profit or loss	7	3,895,760	(9,611,528)
		(583,690)	(619,541)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss, net		13,014,981	1,226,405
Other assets		(10,000)	-
Management fee payable		(37,759)	18,088
Other payables		4,258	(12,224)
Net cash from operating activities		12,287,790	612,728
FINANCING ACTIVITIES			
Proceeds from units sold		2,765,117	1,869,306
Value of units redeemed, net		(15,092,475)	(2,457,864)
Net cash used in financing activities		(12,327,358)	(588,558)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(39,568)	24,170
Cash and cash equivalents at the beginning of the year		41,046	16,876
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,478	41,046

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

Samba China Opportunities Fund (Al Izdihar)

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2018

	2018 <i>USD</i>	2017 <i>USD</i>
NET ASSET VALUE AT THE BEGINNING OF THE YEAR	33,226,740	24,823,311
CHANGES FROM OPERATIONS		
Total comprehensive (loss) / income for the year	(4,579,450)	8,991,987
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	2,765,117	1,869,306
Value of units redeemed	(15,092,475)	(2,457,864)
Net change from unit transactions	(12,327,358)	(588,558)
NET ASSET VALUE AT THE END OF THE YEAR	16,319,932	33,226,740

UNIT TRANSACTIONS

Transactions in units for the year are summarised as follows:

	2018 <i>Units</i>	2017 <i>Units</i>
UNITS AT THE BEGINNING OF THE YEAR	1,129,118	1,156,721
Units sold	90,498	65,912
Units redeemed	(523,080)	(93,515)
Net change in units	(432,582)	(27,603)
UNITS AT THE END OF THE YEAR	696,536	1,129,118

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

Samba China Opportunities Fund (Al Izdihar)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1 GENERAL

Samba China Opportunities Fund (Al Izdihar) (the Fund) is an open-ended investment fund designed for investors seeking long term capital growth. The assets of the Fund are invested primarily in Chinese Equities through investment in Nomura funds. All income is reinvested in the Fund and reflected in the unit price.

The Fund is managed by Samba Capital & Investment Management Company (the Manager), a wholly owned subsidiary of Samba Financial Group (the Bank). The books and records of the fund are maintained in US Dollars (USD).

Nomura Funds Ireland - China Fund charges management fee calculated at an annual rate of 1% (2017: 1%), which is reflected in the unit price.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the Regulations) published by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia on 3 Dhul Hijja 1427H (corresponding to December 24, 2006) as amended by the resolution of the CMA Board on 16 Sha'aban 1437H (corresponding to May 23, 2016).

3 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 under IFRS or SOCPA, those policies have been particularly specified.

3.1 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 and other standards and pronouncement issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

For the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA. SOCPA's Board of Directors in their meeting held on Thursday, July 18, 2013, (corresponding to 10 Ramadan 1434H), agreed to apply the International Financial Reporting Standards (IFRSs), after being endorsed by SOCPA, all at once. The required date for application for all entities (other than listed entities) is the financial periods starting from January 1, 2018. Accordingly, the financial statements for the year ended December 31, 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in KSA and other standards and pronouncements issued by SOCPA. Accordingly, International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards" (IFRS 1), as endorsed in the Kingdom of Saudi Arabia has been applied. Refer note 4 for information on the first time adoption of IFRS as endorsed in the Kingdom of Saudi Arabia, by the Fund.

Functional and presentation currency

Items included in these 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 US Dollars (USD) which is the Fund's functional and presentation currency.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss (FVPL). Assets and liabilities are presented in order of liquidity.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

3.2 Use of estimates in the preparation of the financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The impact of ECL on the net assets of the Fund is insignificant as the substantial exposure of the Fund is held at FVPL as at the reporting date.

3.3 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise current accounts with banks.

3.4 Financial instruments

Change in accounting policy

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 January 1, 2018, which has not resulted in any changes in accounting policies (except for as stated in note 3.4.1, 3.4.2 and 3.5) and adjustments to the amounts previously recognised in the financial statements.

3.4.1 Measurement methods

Policy applicable under IFRS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. The Fund records its investments on a 'trade date' basis.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVPL are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost, as described in Note 3.5, which results in an accounting loss being recognised in the statement of comprehensive income when an asset is newly originated.

Policy applicable under SOCPA

All regular-way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and liabilities are initially recognised on the trade date at which the Fund becomes a party to the contractual provision of the instrument.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

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

Equity instruments

Policy applicable under IFRS

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 FVPL. The Fund subsequently measures all equity investments at FVPL, except where the 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 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.

Policy applicable under SOCPA

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

3.5 Impairment of financial assets

Policy applicable under IFRS

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial 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.

The Fund does not have significant assets carried at amortised cost and the impact of ECL on the net assets in respect of these assets is not significant at the reporting date.

Policy applicable under SOCPA

Financial assets are assessed for impairment when it is established that there is objective evidence that the Fund may not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows discounted based on the original effective yield rate.

3.6 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

3.7 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.

3.8 Foreign currencies

Transactions in foreign currencies are translated into US Dollars, which is the functional and presentation currency of the Fund, at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rates of exchange ruling at that date. Resulting exchange gains and losses, if any, are taken to the statement of comprehensive income.

3.9 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.

3.10 Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost.

3.11 Redeemable units

The net asset value of the Fund's portfolio is determined on Monday and Wednesday of each week's closing prices (Valuation Day). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on a 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 units meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly, are classified as equity instruments.

3.12 Revenue recognition

Realised gains and losses on investments sold are determined on a weighted average cost basis. Dividend income is recognised when right to receive dividends is established.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

3.13 Provisions

Provisions are recognised when a reliable estimate can be made for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

3.14 Zakat and income tax

Zakat and income tax is the obligation of the unit holders and is not provided for in these financial statements.

3.15 Accounting standards issued but not effective

IFRS 16 – Leases has been issued by International Accounting Standard Board (IASB) that is mandatory for the accounting period beginning on or after January 1, 2019 but is not considered to have any significant effect on the Fund's operations.

4 FIRST TIME ADOPTION OF IFRS

The financial statements for the year ended December 31, 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. For periods up to and including the year ended December 31, 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia promulgated by SOCPA.

Accordingly, the Fund has prepared the financial statements that comply with IFRS as endorsed by the Kingdom of Saudi Arabia applicable as at December 31, 2018, together with the comparative periods as at January 1, 2017 and as at December 31, 2017. This note explains the principal adjustments made by the Fund in restating its previous statements of financial positions as at January 1, 2017 and December 31, 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 January 1, 2018, which does not result in adjustments to the amounts previously recognised in the financial statements.

The assessment of business model has been made on the basis of the facts and circumstances that existed at the date of transition.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition to IFRS 9 were recognised in the opening net assets (January 1, 2018) of current year. Therefore, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also been applied to the current year only.

Estimates

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

The Fund's assets, liabilities, income, expenses, operating and financing cash flows reported under SOCPA did not significantly differ from IFRS except for USD 8 as of January 1, 2017 (December 31, 2017: USD 120) which was represented under "Accrued income", in the previous financial reporting framework, which has now been reclassified to "Cash and cash equivalents" in order to represent financial assets at amortised cost.

Samba China Opportunities Fund (Al Izdihar)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>December 31, 2018</i>		<i>December 31, 2017</i>		<i>January 1, 2017</i>	
	<i>Holding Units</i>	<i>Market value USD</i>	<i>Holding Units</i>	<i>Market value USD</i>	<i>Holding Units</i>	<i>Market value USD</i>
Nomura Funds Ireland PLC - China Fund - Class I	<u>205,779</u>	<u>16,429,966</u>	<u>336,650</u>	<u>33,340,707</u>	<u>348,859</u>	<u>24,955,584</u>

6 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Fund pays a management fee calculated at an annual rate of 1% (2017: 1%) on the net asset value at the end of each valuation day. The Bank acts as one of the Fund's bankers.

7 (LOSS) / GAIN ON INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	<i>2018 USD</i>	<i>2017 USD</i>
Realised loss	<u>(382,981)</u>	<u>(286,404)</u>
Unrealised (loss) / gain	<u>(3,895,760)</u>	<u>9,611,528</u>
	<u>(4,278,741)</u>	<u>9,325,124</u>

8 RISK MANAGEMENT

The Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year. The Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies, the Term and Conditions, and the Information Memorandum. Furthermore, the Manager makes every effort to ensure that sufficient liquidity is available to meet any anticipated redemption request. The Board of the Fund plays a role in ensuring that the Manager fulfils its responsibilities to the benefit of the Unitholders in accordance with the provisions of the Investment Funds Regulations, the Terms and Conditions and the Information Memorandum.

8.1 Financial risk factors

The Fund's activities are primarily exposed to market risk in addition to the other risks like liquidity and credit risk.

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

(i) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. The Fund is exposed to market price risk arising from its investment in an international fund as the underlying investments comprise quoted securities.

(ii) Special commission rate risk

Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments. As the Fund is not carrying any significant special commission bearing investments, the Fund is not subject to significant special commission rate risk.

Samba China Opportunities Fund (Al Izdihar)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial assets and liabilities are denominated in US Dollars and the Fund is not exposed to any currency risks.

(b) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realising funds to meet commitments associated with financial liabilities.

The Fund arranges for the subscriptions and redemptions of units on a scheduled basis and is therefore exposed to the liquidity risk of meeting unit holder redemptions. The Manager monitors liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet commitments as they arise. The Fund's financial liabilities are payable within 3 months.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Currently, the Fund is not exposed to any significant credit risk. The bank balances are held with banks which have investment grade credit rating.

8.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to unitholders. The amount of net asset attributable to unitholders can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to unitholders, provide benefits to other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

The Fund Board and the Manager monitor capital on the basis of the value of net assets attributable to unitholders.

8.3 Fair value estimation

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. The Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The fair value of investments held at FVPL are based on quoted prices in active markets, and are therefore classified within Level 1.

9 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at December 31, 2018 were classified under amortised cost category except for investments at FVPL which are classified as and measured at fair value

10 LAST VALUATION DAY

The last valuation date for the purpose of the preparation of these financial statements was December 31, 2018 (2017: December 31, 2017).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the Year Ended December 31, 2018

11 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund Board on 14 Rajab 1440H (corresponding to March 21, 2019).