ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA
Interim condensed financial Statements (unaudited)
For the six-month period ended 30 June 2018
together with the
Independent Auditors' Review Report to the Unitholders

KPMG

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Independent auditors' report on review of interim condensed financial statements

The unitholders of
Ashmore Saudi Equity Fund
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2018 interim condensed financial statements of **Ashmore Saudi Equity Fund** ("the Fund"), managed by Ashmore Investment Saudi Arabia ("the Fund Manager"), which comprises:

- the interim condensed statement of financial position as at 30 June 2018;
- the interim condensed statement of comprehensive income for the six-month period ended 30 June 2018;
- the interim condensed statement of changes in net assets (equity) attributable for the unitholders for the six-month period ended 30 June 2018;
- the interim condensed statement of cash flows for the six-month period ended 30 June 2018; and
- the notes to the interim condensed financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority (CMA), the Fund's Terms and Conditions and the Information Memorandum. 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 the 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 interim condensed financial statements of **Ashmore Saudi Equity Fund** ("the Fund") are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Abdullah Hamad Al Fozan
License No: 348

Date: 2 Dhul Hijjah 1439H
Corresponding to: 13 August 2018

C.R. 46 KPMG
KPMG Al Fozan & Partners Certified Public Accountants

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed By
ASHMORE INVESTMENT SAUDI ARABIA
Interim condensed statement of financial position (unaudited)
(Amounts in SAR)

	Notes	30 June 2018	31 December 2017	1 January 2017
ASSETS				
Cash at bank balances		**1,280,798**	847,365	1,664,259
Investments at fair value through profit or loss (FVTPL)	7	**28,104,777**	23,805,498	15,571,505
Dividends receivable		**26,908**	--	--
Other receivables		**59,973**	--	--
Total assets		**29,472,456**	24,652,863	17,235,764
LIABILITY				
Accrued expenses	8	**102,870**	64,486	59,229
Total liabilities		**102,870**	64,486	59,229
Equity attributable to the unitholders		**29,369,586**	24,588,377	17,176,535
Units in issue		**2,578,600**	2,578,600	1,786,493
Net assets (equity) value attributable to each unit – IFRS		**11.3897**	9.5355	9.6147
Net assets (equity)value attributable to each unit – Dealing		**11.3897**	9.5355	9.6147

The accompanying notes (1) to (18) form an integral part of these interim condensed financial statements.

These interim condensed financial statements and accompanying disclosures are signed off on behalf of the Fund Board based on the authorization issued:

For

Saleh Al Dahmashi
Chief Operating Officer

Rasheed Alrasheed
Chief Financial Officer

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA

Interim condensed statement of comprehensive income (unaudited)
(Amounts in SAR)

	Notes	**For the six-month period ended 30 June 2018**	2017
INCOME			
Net gains on investments at FVTPL	*9*	**4,492,594**	1,019,261
Dividend income		**658,861**	333,830
		5,151,455	1,353,091
EXPENSES			
Management fee	*10*	**171,236**	103,341
Custody fee	*10*	**67,500**	67,500
Administration fee	*10*	**67,500**	67,500
Other expenses		**64,010**	48,644
		370,246	286,985
Net income for the period		4,781,209	1,066,106
Other comprehensive income		--	--
Total comprehensive income for the period		4,781,209	1,066,106

The accompanying notes (1) to (18) form an integral part of these interim condensed financial statements.

These interim condensed financial statements and accompanying disclosures are signed off on behalf of the Fund Board based on the authorization issued:

for

Saleh Al Dahmashi
Chief Operating Officer

Rasheed Alrasheed
Chief Financial Officer

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA

Interim condensed statement of changes in net assets (equity) attributable to the unitholders (unaudited)
(Amounts in SAR)

	For the six-month period ended 30 June	
	2018	2017
Net assets (equity) attributable to the unitholders at beginning of the period	**24,588,377**	17,176,535
Net income for the period	**4,781,209**	1,066,106
Net assets (equity) attributable to the unitholders at end of the period	**29,369,586**	18,242,641

UNITS TRANSACTIONS

Transactions in units for the period are summarised as follows:

	For the six-month period ended 30 June	
	2018	2017
	(In numbers)	*(In numbers)*
Units at beginning of the period	**2,578,600**	**1,786,493**
Units issued	--	--
Units redeemed	--	--
Units at end of the period	**2,578,600**	**1,786,493**

The accompanying notes (1) to (18) form an integral part of these interim condensed financial statements.

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed by
ASHMORE INVESTMENT SAUDI ARABIA

Interim condensed statement of cash flows (unaudited)
(Amounts in SAR)

	Notes	For the six-month period ended 30 June 2018	2017
Cash flows from operating activities			
Net income for the period		**4,781,209**	1,066,106
Adjustment to reconcile net loss to net cash generated from / (used in) operating activities:			
Unrealized gains on investments at FVTPL	*9*	**(2,322,994)**	**(807,729)**
		2,458,215	258,377
Changes in operating assets and liabilities			
Investments at FVTPL		**(1,976,285)**	(1,771,261)
Dividends receivable		**(26,908)**	(38,318)
Other receivables		**(59,973)**	
Accrued expenses	*8*	**38,384**	(3,463)
Net cash generated/(used in) from operating activities		**433,433**	(1,554,665)
Net decrease in cash at bank balances		**433,433**	(1,554,665)
Cash at bank balances at beginning of the year		**847,365**	1,664,259
Cash at bank balances at end of the period		**1,280,798**	109,594

The accompanying notes (1) to (18) form an integral part of these interim condensed financial statements.

1. THE FUND AND ITS ACTIVITIES

Ashmore Saudi Equity Fund ("the Fund") is an open-ended Saudi Riyal denominated investment fund established and managed through an agreement between Ashmore Investment Saudi Arabia ("the Fund Manager") and investors ("the Unitholders"). The Fund commenced its operations on 5 January 2015. Capital Market Authority's ("CMA") approval for establishment of the Fund was granted in its letter dated 22 December 2014 (corresponding to 30 Safar 1436).

The Fund's investment objective is to achieve over the medium to long-term capital growth by investing in a diversified portfolio of equities of companies listed on the Saudi Stock Exchange ("the Tadawul"). The Fund benchmarks its performance to Tadawul and aims to provide comparatively better returns to the unitholders.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of the Fund.

The custodian, administrator and registrar of the Fund is HSBC Saudi Arabia.

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by CMA on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended ("the amended regulation") on 16 Sha'ban 1437 H (corresponding to 23 May 2016), detailing requirements for all funds within the Kingdom of Saudi Arabia. The amended regulation came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).

3. SUBSCRIPTION / REDEMPTION OF UNITS

The Fund is open for subscriptions / redemptions every business day (each a "Dealing Day") and performs valuations every Monday and Wednesday (each a "Valuation Day"). The "cut off" time for subscriptions / redemptions is 1:00pm of every Valuation Day. In case the Valuation and Dealing Day happen to fall on a day which is a public holiday in the Kingdom of Saudi Arabia, the Valuation, Dealing and Redemption Day will be on the immediate next Valuation and Dealing day. The unit price on subscription or the unit price on redemption is represented in the Net Assets (equity) Value ("NAV") per unit calculated by the Administrator on the next Valuation Day on which the units were subscribed or redeemed for.

The NAV of the Fund for the purpose of purchase or redemption of units is calculated by subtracting from the value of the Fund's total assets value the amount of the Fund's total liabilities. The unit price is determined by dividing such resulting figure by the total number of outstanding units on the relevant Valuation Day. The unit price upon commencement of subscriptions was SAR 10.

4. BASIS OF PRESENTATION

4.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum.

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 as issued by Saudi Organization for Certified Public Accountants ("SOCPA"). The condensed interim financial statements for the six-month period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. These condensed interim financial statements do not include all of the information required for full set of annual financial statements prepared under IFRS.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 14.

4.2 Basis of preparation

The financial statements have been prepared on a historical cost basis, (except for investments at FVTPL which are stated at their fair value) using the accrual basis of accounting.

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the interim condensed financial statements continue to be prepared on the going concern basis.

The line items in the interim condensed statement of financial position have been presented in the order of liquidity.

4.3 Functional and presentation currency

The financial statements have been prepared on a historical cost basis, (except for investments at FVTPL which are stated at their fair value) using the accrual basis of accounting and the going concern concept.

4.4 Use of estimates and judgments

The preparation of these interim condensed financial statements in conformity with IFRS requires the use of certain critical accounting judgments, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed 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.

Revenue recognition

Net gains on investments at FVTPL
Net gains from investments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income, and dividend expense on securities sold short.

Net realised gains from financial instruments at FVTPL is calculated using the weighted average cost method.

Dividend income
Dividend income is recognized in comprehensive income on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognized in comprehensive income in a separate line item.

Fees and other expenses
Fees and other expenses are recognized in comprehensive income as the related services are received.

Zakat and income tax
Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying interim condensed financial statements.

Financial assets

Recognition and initial measurement
Financial assets and financial liabilities at FVTPL are initially recognised on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets are recognised on the date on which they are originated.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at FVTPL are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification
On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

Business model assessment
The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's managers;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Funds's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Special commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the interim condensed 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Fund of similar transactions such as in the Fund's trading activity.

Derecognition
The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash at bank balances

Cash at bank balances comprise deposits with banks that are subject to an insignificant risk of changes in their fair value.

Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Subscription and redemption on units

Units subscribed and redeemed are recorded at net asset value per unit on the Valuation Day for which the subscription request and redemption applications are received.

Redeemable units

The redeemable units are as equity instruments as they meet certain strict criteria. Those criteria include:

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

Net Asset (Equity) Value

Net assets (equity) value per unit, as disclosed in the interim condensed statement of financial position is calculated by dividing the net assets (equity) of the Fund by the numbers of units in issue as at the period end.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standard are effective for the period beginning on or after 1 January 2019 and earlier application is permitted; however, the Fund has not early applied these new amendments and standard in preparing these interim condensed financial statements as these do not have material impact on the Fund's interim condensed financial statements.

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments held for trading represent investments in equity securities listed on Tadawul in various industry sectors as follows:

	30 June 2018	
	Cost	**Fair value**
Banking	**9,780,116**	**12,239,490**
Material	**5,979,634**	**6,869,274**
Insurance	**3,120,630**	**2,976,477**
Food & Beverages	**2,425,701**	**2,404,544**
Retail	**1,925,604**	**1,652,496**
Consumers services	**1,366,299**	**1,175,437**
Health care	**817,107**	**787,059**
	25,415,091	**28,104,777**

	31 December 2017	
	Cost	Fair value
Banking	8,933,960	9,044,208
Material	5,140,015	5,478,572
Insurance	2,496,899	2,474,575
Retail	2,369,427	2,317,470
Health care	1,396,429	1,195,854
Food & Beverages	1,010,658	1,010,787
Food & Staples Retailing	835,803	979,738
Energy and utilities	709,926	867,194
Consumers services	545,688	437,100
	23,438,805	23,805,498

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	1 January 2017	
	Cost	Fair value
Industrial	3,368,033	3,892,947
Banking	3,146,923	3,445,280
Energy and utilities	1,352,747	1,606,984
Insurance	1,156,555	1,415,079
Retail	914,020	898,541
Telecommunications	855,305	1,004,817
Real estate development	738,373	947,630
Agriculture and food	706,374	787,716
Transport	658,667	461,930
Health care	599,410	775,142
Hotel and tourism	308,371	335,439
	13,804,778	15,571,505

8. ACCRUED EXPENSES

	30 June 2018	31 December 2017	1 January 2017
Management fee	**30,095**	26,064	17,896
Custody fee	**22,500**	11,250	11,250
Administration fee	**22,500**	11,250	11,250
Board remuneration fee	**-**	-	10,000
Other accrued expenses	**27,775**	15,922	8,833
Total accrued expenses	**102,870**	64,486	59,229

9. NET GAINS ON INVESTMENTS AT FVTPL

	30 June 2018	30 June 2017
Realised gains on disposal of investments at FVTPL	**2,169,600**	211,532
Unrealised gains on the revaluation of investments at FVTPL	**2,322,994**	807,729
	4,492,594	1,019,261

10. 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 related parties of the Fund include the Fund Manager, the Fund's Board and other funds being managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

Subscription fee up to 2% is not considered in the interim condensed financial statement of the Fund, as investment to the Fund are always net of subscription fees. The Fund does not charge any redemption fees on redemption of units. Other expenses paid by the Fund Manager on the behalf of the Fund are charged to the fund.

In addition to the related party transactions disclosed elsewhere in these interim condensed financial statements, the significant transactions with related parties for the period are as follows:

		Transactions		Balance		
Related party	Nature of transaction	30 June 2018	30 June 2017	30 June 2018	31 December 2017	1 January 2017
The Fund Manager	Management fee	**171,236**	103,341	**30,095**	26,064	17,896
The Fund Board	Board remuneration	**4,959**	4,959	**-**	-	10,000
HSBC Saudi Arabia	Custody fees	**67,500**	67,500	**22,500**	11,250	11,250
(Custodian,	Administration fee	**67,500**	67,500	**22,500**	11,250	11,250
Administrator and Registrar of the Fund)	Registration fee	**7,875**	7,875	**2,625**	1,312	1,313

As at 30 June 2018, Ashmore Management Company Limited, an affiliate of the Fund Manager, holds 900,000 units (31 December 2017: 900,000 units) of the Fund.

11. MANAGEMENT, CUSTODY, ADMINISTRATION AND REGISTRATION FEES

The Fund pays management fee calculated at an annual rate of 1.25 percent per annum of the Fund's equity attributable to Unitholders. This management fee is accrued daily and paid on a monthly basis. As per the Terms and Conditions of the Fund, the Fund pays custody fee, administration fee and registration fee to HSBC Saudi Arabia limited who is the custodian, administrator and registrar of the Fund. These fees are calculated based on slab percentages linked to net assets (equity) value of the Fund subject to stated minimum fee.

12. RISK MANAGEMENT POLICIES

The Fund has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risks; and
- operational risk

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

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.

The Fund is exposed to credit risk for its cash at bank balances and other receivables. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	30 June 2018	31 December 2017	1 January 2017
Cash at bank balances	**1,280,798**	847,365	1,664,259
Other receivables	**59,973**	--	--
Total exposure to credit risk	**1,340,771**	847,365	1,664,259

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

12. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk

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

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. As at 30 June 2018, the Fund's cash at bank balances, investments at FVTPL, dividends and other receivables are considered to be short-term in nature and readily realisable.

Market risk

Market Risk is the risk that changes in market prices which include equity price risk that will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the fund manager.

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's investments are susceptible to market price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration.

Sensitivity analysis
The table below sets out the effect on equity attributable to the unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	June 2018		June 2017	
Net gain / (loss) on investments at FVTPL	**+ 5%**	**1,405,239**	**+ 5%**	907,525
	- 5%	**(1,405,239)**	**- 5%**	(907,525)

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.

12. RISK MANAGEMENT POLICIES (CONTINUED)

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.

The primary responsibility for the development and implementation of control over operational risks rests with the Fund Board. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market are accessible by the Fund.

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of financial assets held at FVTPL, and financial assets measured at amortize cost.

Fair value hierarchy
The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below presents the Investments measured at their fair values as of reporting date based on the fair value hierarchy:

	30 June 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	**28,104,777**	--		**28,104,777**
Total	**28,104,777**	--		**28,104,777**

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	23,805,498	--	--	23,805,498
Total	23,805,498	--	--	23,805,498

13. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	1 January 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at FVTPL	15,571,505	--	--	15,571,505
Total	15,571,505	--	--	15,571,505

During the year, no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

The carrying amounts of the financial instruments such as cash at bank balances and dividends and other receivables approximate fair value because of their short-term nature and the high credit quality of counterparties.

14. EXPLANATION OF TRANSITION TO IFRS

As stated in Note 4, these are the Fund's first financial statements prepared in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia.

The accounting policies set out in Note 5 have been applied consistently in preparing the financial statements for the period ended 30 June 2018, year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position at 1 January 2017 (the Fund's date of transition) except for IFRS 9 and 15 as disclosed in Note 15.

The transition from previous GAAP i.e. generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA to IFRS had no significant impact on the Fund's financial position, comprehensive income, and statement of changes in equity attributable to unitholders and cash flows.

Hence, no separate reconciliation statement is prepared to reconcile the Fund's interim condensed financial statements from SOCPA to IFRS

15. IMPACT OF CHANGE IS ACCOUNTING POLICIES

IFRS 9, Financial Instruments
The Fund has adopted IFRS 9 "Financial Instruments" for the period from 1 January 2018. Based on which the Fund has evaluated the classification and measurement of all its financial instruments under IFRS 9.

As all of Fund's investments are either held for trading and/or managed and evaluated on a fair value basis, they have remained classified as FVTPL up to upon adoption of IFRS 9. The adoption of IFRS 9 therefore has not resulted in any change to the classification or measurement of financial instruments, in either the current or prior period. So, no separate reconciliation statement is prepared to reconcile the financial position balances from SOCPA to IFRS 9.

Whereas, for the prior period information, the Fund has opted for the exemption to apply IFRS 9 retrospectively; therefore, the comparative information has been presented under the previous GAAP as required by IFRS 1 and IFRS 9.

15. IMPACT OF CHANGE IS ACCOUNTING POLICIES (CONTINUED)

IFRS 15, Revenue from Contracts with Customers
The Fund adopted IFRS 15 'Revenue from Contracts with Customers' resulting in a change in the revenue recognition policy of the Fund in relation to its contracts with customers.

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Fund has opted for the modified retrospective application permitted by IFRS 15 upon adoption of the new standard. Modified retrospective application also requires the recognition of the cumulative impact of adoption of IFRS 15 on all contracts as at 1 January 2018 in equity.

As at 30 June 2018, the Fund Manager have assessed that impact of application of IFRS 15 to the Fund's interim condensed financial statements and no adjustment is required in the equity attributable to the unitholders as at 1 January 2018.

16. LAST VALUATION DAY

28 June 2018 (2017: 29 June 2017). The last valuation date for the purpose of measuring investment portfolio and preparation of these financial statements was 30 June 2018 (2017: 30 June 2017).

17. SUBSEQUENT EVENTS

There were no significant events after the reporting period that require disclosure or adjustment in these interim condensed financial statements.

18. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue by the Fund Board on 2 Dhul Hijjah 1439H (corresponding to 13 August 2018).