

WASATAH IPO FUND
Managed by
Al Wasatah Al Maliah Company

Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2018
together with the
INDEPENDENT AUDITOR'S REPORT

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Unitholders of
Wasatah IPO Fund**
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Wasatah IPO Fund** (the "Fund") managed by Al Wasatah Al Maliah Company (the "Fund Manager") which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in net assets attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements from 1 to 17, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, its financial performance, its changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as 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 are independent of the Fund and Fund Manager in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 4.2 to the financial statements which explains that although the fund is expected to liquidate within 12 months after the year end, the financial statements are still prepared under going concern assumption as in the opinion of management, the break up basis will produce the same results of these financial statements as the going concern basis.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters include:

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
Revenue recognition Revenue comprises of realized and unrealized gains /losses and dividend income on investments held at fair value through profit or loss. Revenue recognition is considered a key audit matter as the timing and amount of revenue recognized in a financial year can have a material effect on the financial performance.	Our procedures included • Review of revenue recognition accounting policy. • Substantive tests of transactions on a sample basis. • Testing revenue cut-off at the year end and an analytical review of revenue.
Refer to note 6 for accounting policy and note 9 for relevant details.	

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investments at fair value through profit or loss Investments at fair value through profit or loss ("FVTPL") comprise a portfolio of equity securities listed on the Tadawul, the stock exchange of Kingdom of Saudi Arabia. These instruments are measured at fair value with the corresponding fair value changes recognized in the statement of profit or loss. The fair value of these securities is determined through a determination of the latest closing price per share on the date of statement of financial position. We considered this as a key audit matter given the significance of the valuation on the financial statements.	Our procedures included: • An assessment of the methodology, appropriateness of the valuation technique and inputs used to value the investments. • Ensuring the shareholding in respective shares through custodian statements. • Testing the valuation of investments at the reporting date from Tadawul.
Refer note 6 for accounting policy and note 7 for related disclosures	

Key audit matter	How the matter was addressed in our audit
IFRS transition For all years up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA ("Saudi GAAP"). The Fund adopted IFRS from the financial year beginning from 1 January 2018. In compliance with requirements of IFRS 1, the Fund presented its opening statement of financial position as at 1 January 2017 and 31 December 2017 and statement of profit or loss for the year ended 31 December 2017, after incorporating required adjustments to reflect the transition to IFRS as endorsed in KSA from the Saudi GAAP. We considered this a key audit matter as the basis of financial reporting framework is fundamental to the presentation and preparation of the financial statements.	Our procedures included the following: - Considering the process to identify all necessary adjustments to opening balances and comparatives; - Critically examining management's approach to estimates, including estimates related to impairment of financial assets; - Ensuring consistency in selection and application of accounting policies by management and their appropriateness and adequacy and sufficiency of required disclosures.
Refer to note 4.1 for accounting policy and note 15 for disclosures related to IFRS transition.	

INDEPENDENT AUDITOR'S REPORT *(continued)*

Other information

Fund Manager is responsible for the other information. The other information comprises the Fund's performance report included in the annual report, but does not include the financial statements and our audit report thereon. The other information is expected to be made available to us after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia, the requirements of the Investment Funds Regulations as published by the Capital Market Authority ("CMA") in Kingdom of Saudi Arabia, the Fund's terms and conditions and information memorandum with respect to the preparation and presentation of financial statements and for such internal control as management determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund'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 management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

TCWG, in particular the Fund Board, are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty 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 the management and TCWG 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.

We also provide TCWG with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with TCWG, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further we confirm that in our opinion the accompanying financial statements of the Fund comply, in all material respects, with the requirements of the Investment Funds Regulations published by CMA in the Kingdom of Saudi Arabia, the Fund's terms and conditions and the information memorandum with respect to the preparation and presentation of the financial statements.

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 24 Rajab 1440 (H)
Corresponding to: 31 March 2019 (G)

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2018**

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

	Notes	31 December 2018	31 December 2017	1 January 2017
<u>ASSETS</u>				
Financial assets at fair value through profit or loss	7	13,433,736	20,944,287	40,837,414
Other receivable		-	16,000	96,267
Cash and cash equivalents	8	12,507,662	24,565,999	18,159,590
Total assets		25,941,398	45,526,286	59,093,271
<u>LIABILITIES</u>				
Management and custody fee payable	10	123,326	250,511	310,529
Fund Board members' fee payable	10	6,049	24,000	6,049
Accrued expenses		46,775	22,465	48,761
Redemptions payable		-	-	2,250,591
Total liabilities		176,150	296,976	2,615,930
Net assets value attributable to unitholders		25,765,248	45,229,310	56,477,341
Units in issue (<i>Numbers</i>)		32,643	52,307	57,518
Net assets value - per unit (SR)		789.30	864.69	981.91

The accompanying notes 1 to 17 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

	Notes	31 December 2018	31 December 2017
<u>INCOME</u>			
Dividend income		701,934	987,750
Net changes in fair value of financial assets at fair value through profit or loss "FVTPL"	9	(1,999,881)	(6,489,227)
Other income		95,362	63,723
		(1,202,585)	(5,437,754)
<u>EXPENSES</u>			
Management fee	10	565,416	852,485
Custody fee		92,631	200,587
Transaction costs		23,411	30,047
Fund Board members' fee	10	24,000	24,000
Other operating expenses	11	69,740	66,875
Total expenses		775,198	1,173,994
Net loss for the year		(1,977,783)	(6,611,748)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(1,977,783)	(6,611,748)

The accompanying notes 1 to 17 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

	31 December 2018	31 December 2017
Net assets at 1 January	45,229,310	56,477,341
Total comprehensive loss for the year	(1,977,783)	(6,611,748)
Changes from units transactions		
Proceeds from units issued	-	2,730,000
Payments for units redeemed	(17,486,279)	(7,366,283)
Net assets at 31 December	25,765,248	45,229,310
UNITS TRANSACTIONS	Numbers	
Units at 1 January	52,307	57,518
Add: Units subscribed	-	3,067
Less: Units redeemed	(19,664)	(8,278)
Net decrease in units	(19,664)	(5,211)
Units at 31 December	32,643	52,307

The accompanying notes 1 to 17 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

	31 December 2018	31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(1,977,783)	(6,611,748)
<i>Adjustment for:</i>		
Net changes in fair value of financial assets at FVTPL	1,999,881	6,489,227
Changes in operating assets and liabilities:		
Purchase of financial assets at FVTPL	(13,290,140)	(16,251,975)
Proceeds from disposal of financial assets at FVTPL	18,800,810	29,655,875
Other receivable	16,000	80,267
Management and custody fee payable	(127,185)	(60,018)
Fund Board members' fee payable	(17,951)	17,951
Accrued expenses	24,310	(26,296)
Redemption payable	-	(2,250,591)
Net cash generated by operating activities	5,427,942	11,042,692
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription of units	-	2,730,000
Payments for redemption of units	(17,486,279)	(7,366,283)
Net cash used in financing activities	(17,486,279)	(4,636,283)
Net (decrease) / increase in cash and cash equivalents	(12,058,337)	6,406,409
Cash and cash equivalents at 1 January	24,565,999	18,159,590
Cash and cash equivalents at 31 December	12,507,662	24,565,999

The accompanying notes 1 to 17 form an integral part of these financial statements

WASATAH IPO FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

Wasatah IPO Fund (the "Fund") is a Shariah compliant open-ended Fund established and managed through an agreement between Al Wasatah Al Maliah Company "Wasatah Capital" (the "Fund Manager") and the Fund Investors (the "Unitholders").

Wasatah IPO Fund is a Shariah compliant open-ended investment fund that aims to achieve mid to long-term capital appreciation and provide its investors with absolute returns. The Fund primarily invests in Initial Public Offerings ("IPOs"), rump offerings and stocks listed within the last five years on Saudi Stock Exchange ("Tadawul") including Nomu Market. The Fund may also invest in equity funds and other IPO funds having similar strategy licensed by the Capital Market Authority "CMA" whether managed by the Fund Manager or by another Manager or Real Estate Investment Traded funds and Exchange Traded funds, taking into consideration that all investments are compliant with Shariah standards. Fund reinvests all realized capital gains and/or any investment income and shall not make any dividend distributions to its unitholders.

CMA granted its approval for the establishment of the Fund in its letter number 15/931/5/3 dated 29 Rabi al-awwal 1436 H (corresponding to 20 January 2015 G). The Fund commenced its operations on 10 Jumada al-ula 1436 H (corresponding to 1 March 2015 G). The Fund Board in its resolution dated 17 January 2019 approved to terminate the Fund after liquidation of all assets and payment of all liabilities and distribution of residual value to Unitholders after completing necessary legal formalities. The Fund's termination date is expected to be 18 April 2019 G (corresponding to 13 Sha'ban 1440 H).

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the Unitholders are considered to be owners of the assets of the Fund.

As disclosed in note 10 the Fund Manager owns majority of the units outstanding at 31 December 2018, therefore Wasatah Capital is the ultimate controlling party of the Fund.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by the Capital Market Authority ("CMA") on 3 Dhul Hija 1427H (corresponding to 24 December 2006G) as amended by the resolution of the CMA board on 16 Sha'aban 1437H (corresponding to 23 May 2016G).

3. SUBSCRIPTION / REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions of units on each Monday and Wednesday (each a "Dealing Day"). The value of the Fund's portfolio is determined on each business day (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 net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant valuation day.

4. BASIS OF PREPARATION

4.1 Statement of compliance

For all years 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 ("Saudi GAAP") promulgated by Saudi Organization for Certified Public Accountants ("SOCPA"). The financial statements for the year ended 31 December 2018 are the first financial statements of the Fund prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by SOCPA and other standards and pronouncements issued by SOCPA. The Fund's date of transition to IFRS was 1 January 2017. The requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied in preparing these financial statements. Refer to note 15 which discloses the impact of adopting IFRS on these financial statements.

The Fund has also complied with Investment Fund Regulations published by CMA, Fund's terms and conditions and information memorandum with respect to preparation and presentation of these financial statements.

WASATAH IPO FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

BASIS OF PREPARATION *(continued)*

4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except for the financial asset at fair value through profit or loss which are carried at fair value, using the accrual basis of accounting, except for cash flow information. The Fund Board as on 17 January 2019 has approved that the fund will be terminated (see note 1 above) however, in the opinion of the management, the break up basis and the going concern basis will produce the same results of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

4.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR) which is also the functional currency of the Fund.

4.4 Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year.

4.5 Use of estimates and judgments

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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 future years affected. Major areas where estimates or judgments made are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are as follows:

4.6 Classification of investments

The Fund at initial recognition determines the relevant classification of financial assets and financial liabilities based on the business model for managing the financial asset and the terms of its contractual cash flows.

The Fund has classified its investments in equity securities at fair value through profit or loss "FVTPL". Gains or losses arising from subsequent changes in fair value and on sale of financial assets at FVTPL is recognized in the statement of profit or loss.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below which, in the opinion of the management, will clearly not impact the Fund.

Effective date	Standard or amendments description
1 January 2019	IFRS 16 Leases
1 January 2021	IFRS 17 Insurance contracts
1 January 2020	IFRS 3, Business Combinations- Clarification regarding definition of 'Business'.
1 January 2019	IFRS 9 Financial Instruments – Amendments related to Prepayment Features with Negative Compensation
1 January 2019	IFRS 11 Joint Arrangements, Annual improvement cycle 2015 – 2017 clarified re-measurement of previously held interests in joint operation.
1 January 2020	IAS 1 Presentation of Financial Statements, disclosure initiative brought some conceptual clarification.
1 January 2020	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, disclosure initiative brought some conceptual clarification.
1 January 2019	IAS 12 Income Taxes, clarification that all income tax consequences of dividends should be recognized in profit and loss, regardless how the tax arises.

WASATAH IPO FUND

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

1 January 2019	IAS 19 Employee Benefits, clarifies regarding treatment of employee benefits plan amendment, curtailment or settlement.
1 January 2019	IAS 23 Borrowing Costs, clarification regarding calculation of capitalization rate on general borrowings.
1 January 2019	IAS 28 Long-term Interests in Associates and Joint Ventures, application of IFRS 9 if equity method is not applied to a part of long term interests in an associate or joint venture.
1 January 2019	IFRIC 23 Uncertainty over Income Tax Positions.

6. SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies applied by the Fund throughout all years presented in these first IFRS financial statements.

Financial instruments

Initial recognition and measurement

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

All other financial assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVTOCI); or
- Financial assets at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Fund's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

SIGNIFICANT ACCOUNTING POLICIES (continued)

• **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

• **Fair value through other comprehensive income (FVTOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and profit, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost are recognized in profit or loss statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

• **Fair value through profit or loss (FVTPL):** Financial assets that do not meet the criteria for amortized cost or FVTOCI are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

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. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management 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 FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of profit or loss, 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 income as 'Dividend income' when the Fund's right to receive payments is established.

Impairment of financial assets

New impairment requirements under IFRS 9 use forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model.

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are rounded to nearest Saudi Riyal unless otherwise stated)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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 ongoing basis. The Fund measures instruments quoted in an active market at the market price, because this price provides a reasonable approximation of the exit price.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities 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.

Equity attributable to unitholders

The net assets attributable to the unitholders comprise redeemable units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

Redeemable Units

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

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

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of International Accounting Standard (IAS 32), the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in net assets attributable to unit holders. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

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**NOTES TO THE FINANCIAL STATEMENTS
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SIGNIFICANT ACCOUNTING POLICIES (continued)***Cash and cash equivalents***

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise, cash in hand, balances in bank accounts and Murabaha placements with original maturity of three months or less.

Revenue recognition***Net gain from financial instruments at fair value through profit or loss***

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes, but excludes interest and dividend income.

Realised gain from financial instruments at FVTPL is calculated on a weighted average cost basis.

Dividend income

Dividend income or other income is recognized when the Fund's right to receive dividend payment is established.

Management fee and other expenses

Management fee and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund.

Subscription fee

The Fund Manager charges each investor a subscription fee of a percentage not exceeding 1.5% of the subscribed amount to cover administration costs. Subscription proceeds are recorded net of subscription fee.

Management fee

Management fee is accrued at the rate of 1.7% per annum of net assets value of the Fund at each valuation day and is payable quarterly.

Custody fee

During the current year, the Fund appointed Al Bilad Investment Company as custodian of the assets of the Fund. As per the agreement, the custody fee is higher of SR 60,000 or 0.1% of the net assets value of the Fund and accrued on daily basis. In 2017, it was accrued at the rate of 0.4% of the net asset value of the fund at each valuation day payable quarterly.

Zakat / taxation

Zakat / taxation is the obligation of the Unitholders and are not provided for in these financial statements.

Subscription and redemption of units

Units issued and redeemed are recorded at the net assets value per unit on the valuation day for which the subscription request and redemption applications are received.

Net assets value

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

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7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement in investment of equity securities listed on Saudi Stock Market is as follows:

	Note	31 December 2018	31 December 2017
Opening balance		20,944,287	40,837,414
Purchased during the year		13,290,140	16,251,975
Sold during the year		(18,800,810)	(29,655,875)
Realized gain / (loss)		1,155,705	(4,438,024)
Unrealized loss		(3,155,586)	(2,051,203)
Closing balance	7.1	13,433,736	20,944,287

7.1. The classification of investments at FVTPL into industry groups specified by Saudi Stock Exchange is summarized as follows:

<u>Industry group</u>	Cost	Market value	% of market value
	31 December 2018		
Materials	3,349,026	2,589,348	19%
Banks	1,913,590	1,934,940	14%
Health Care Equipment and Service	2,745,349	1,709,114	13%
Transportation	2,108,348	1,649,071	12%
Real Estate	2,386,808	1,638,380	12%
Retailing	1,272,800	1,410,616	10%
Consumer Durables & Apparel	967,390	905,360	7%
Food and Staples Retailing	866,870	807,300	6%
Capital Goods	623,781	473,867	4%
Telecommunication services	264,160	215,540	2%
Energy	91,200	100,200	1%
	16,589,322	13,433,736	100%

<u>Industry group</u>	31 December 2017		
Retailing	4,421,063	5,274,155	25%
Materials	5,280,279	5,177,640	25%
Health Care Equipment and Service	5,429,095	3,985,640	19%
Transportation	3,839,075	2,497,325	12%
Real Estate	4,025,978	4,009,527	19%
	22,995,490	20,944,287	100%

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FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

Industry group	1 January 2017		
Retailing	9,078,994	8,738,954	21%
Materials	5,651,098	5,185,750	13%
Health Care Equipment and Service	14,750,281	15,568,480	38%
Transportation	6,255,082	9,626,280	24%
Real Estate	1,708,956	1,717,950	4%
	<u>37,444,411</u>	<u>40,837,414</u>	<u>100%</u>

8. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017	1 January 2017
Cash at bank	-	5,961,722	4,381,896
Cash held with custodian	12,507,662	8,604,277	7,277,694
Murabaha placement with a bank – original maturity of three months or less	-	10,000,000	6,500,000
	<u>12,507,662</u>	<u>24,565,999</u>	<u>18,159,590</u>

9. NET CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AT FVTPL

	Note	31 December 2018	31 December 2017
Unrealized loss, net	15	(3,155,586)	(2,051,203)
Realized gain / (loss), net	15	1,155,705	(4,438,024)
		<u>(1,999,881)</u>	<u>(6,489,227)</u>

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its related parties. Related parties include the Fund Manager, investment funds managed by the Fund Manager, Key management personnel of the Fund Manager, the Fund Board members and Board members of parent company.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund. The Fund Manager charges the Fund with a management fee of 1.70% per annum of the Fund's net assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit fee, Fund board annual remuneration and other similar charges. The Fund board annual compensation is subject to a maximum of SR 48,000 for all the Fund Board members.

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TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

The unit holders' account included units held by related parties as follows:

	31 December 2018		
	Units (Number)	Net Asset Value SR	% of total Units
Fund manager	20,000	15,785,997	61%
Board members of parent company	6,876	5,427,597	21%
	26,876	21,213,594	
31 December 2017			
Fund manager	20,000	17,293,815	38%
Fund Board members	20	17,219	0.04%
Key management personnel of the Fund manager	215	185,727	0.4%
	20,235	17,496,761	
1 January 2017			
Fund manager	20,000	19,638,204	35%
Fund Board members	20	19,550	0.03%
Key management personnel of the Fund manager	215	210,904	0.4%
	20,235	19,868,658	

Related party transactions for the year ended 31 December and balances arising there from are described as under:

Related party	Nature of transactions	Transaction during the year ended		Balance as at		
		31 December 2018	2017	31 December 2018	2017	1 January 2017
Fund Manager	Management fee	565,416	852,485	118,047	202,794	251,380
	Custody fee	36,003	200,587	-	47,717	59,149
Fund Board members	Annual remuneration	24,000	24,000	6,049	24,000	6,049

11. OTHER OPERATING EXPENSES

	31 December 2018	31 December 2017
Audit fee	31,500	30,000
Benchmark calculation fee	25,490	24,375
CMA monitoring and reviewing fee	7,500	7,500
Other expenses	5,250	5,000
	69,740	66,875

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12. SEGMENT REPORTING

The Fund carries a portfolio of equity instruments of companies listed on Saudi Stock Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed. The Fund Manager, however, periodically receives fair valuation of its holding in equity instruments portfolio. Please refer to note 7 for this valuation information.

13. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of the following financial risks; market risk (including special commission rate risk, currency risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme focuses on the predictability of financial market and seeks to minimise potential adverse effect on the Fund's financial performance.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Fund manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the risk management/ investment committee.

Market risk comprises three types of risk: Special commission rate risk, currency risk and price risk.

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund does not have commission bearing assets and liabilities, including Murabaha placements and bank balance at current year end; consequently, it is not exposed to special commission rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. As the Fund's financial instruments are denominated in its functional currency, the Fund is not subject to currency risks.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund trades in equity securities that are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Fund's market price risk is managed by the Fund Manager through monitoring the Fund's overall market position, trend and risk levels per category on a daily basis.

Fund's strategy focuses on investment opportunities expected to produce attractive returns over the medium to long term. The main factors analysed and used for the evaluation of the investments are the price, earnings and dividend yield ratios.

The table below summarises the impact of increases/decreases of the industry group wise valuation on the Fund's profit for the year. The analysis is based on the assumption that the market value of the holdings of the portfolio had increased/decreased by 5%.

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FINANCIAL RISK MANAGEMENT (continued)

<u>Industry group</u>	31 December 2018	31 December 2017
Consumer goods	156,164	263,708
Materials	129,467	258,882
Financial	96,747	-
Healthcare	85,456	199,282
Transportation	82,454	124,866
Real Estate	81,919	200,476
Industrial	23,693	-
Communication services	10,777	-
Energy	5,010	-
	671,687	1,047,214

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and cause other party to incur a financial loss. The Fund is exposed to credit risk on its investment portfolio, cash and cash equivalents and other receivable. The bank balance and other receivable are held with a subsidiary brokerage company of a reputed local bank. The Fund Manager seeks to limit its credit risk on equity portfolio by monitoring credit exposures and setting limits for individual investments. Therefore, the Fund Manager believes that the Fund does not have any significant credit risk at 31 December 2018, 31 December 2017 and 1 January 2017.

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 twice during the week and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. The Fund's financial assets mainly comprise bank balance and equity investments which are considered to be readily realizable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

All the financial assets and liabilities disclosed above are within the maturity profile of one year.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value in the statement of assets and liabilities are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2018, 31 December 2017 and 1 January 2017, the Fund held the following assets measured at fair values.

	31 December 2018	31 December 2017	1 January 2017
Financial assets at FVTPL			
Level 1			
Listed equity securities	13,433,736	20,944,287	40,837,414

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15. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements for the year ended 31 December 2018 are the first financial statements of the Fund prepared in accordance with IFRS, as endorsed by the Kingdom of Saudi Arabia. For years 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 ("Saudi GAAP").

Accordingly, the Fund has prepared the financial statements that comply with IFRS applicable as at 31 December 2018, together with the comparative years 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 financial statements in the process of IFRS transition.

Financial instrument	Classification under Saudi GAAP	New classification under IFRS	Note	31 December 2017	1 January 2017
Listed equity investments	Held for trading	Financial assets at FVTPL	7	20,944,287	40,837,414

Reconciliation of statement of comprehensive income

	For year ended 31 December 2017		
	Saudi GAAP	Re-measurement	IFRS
Net changes in fair value of financial assets			
- Realized loss	4,462,680	(24,656)	4,438,024
- Unrealized gain	2,056,594	(5,391)	2,051,203
-	6,519,274	(30,047)	6,489,227
Transaction costs	-	30,047	30,047
	6,519,274	-	6,519,274

First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application of IFRSs. The Fund has applied mandatory exceptions and certain optional exemptions, as set out below.

Mandatory exceptions adopted by the Fund

Estimates - The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with Saudi GAAP. The estimates used by the Fund to present these amounts in accordance with IFRS reflect conditions at 1 January 2017, the date of transition to IFRS and as of 31 December 2017.

Optional exceptions adopted by the Fund

The Fund has not used any optional exemptions for retrospective application of IFRSs.

16. SUBSEQUENT EVENT

Subsequent to the year end, the Fund Board in its resolution dated 17 January 2019 approved to terminate the Fund. The Fund seeks to liquidate the assets of the Fund and complete the legal formalities up to 18 April 2019 G (corresponding to 13 Sha'ban 1440 H).

17. APPROVAL OF FINANCIAL STATEMENT

These annual financial statements were approved by the Fund's Board on 17 Rajab 1440H corresponding to 24 March 2019G.