

WASATAH IPO FUND

(Managed by Al Wasatah Al Maliah Company)

Condensed interim Financial Statements (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018
together with the
INDEPENDENT AUDITOR'S REPORT

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS**

**To the Unit holders of
Wasatah IPO Fund
Managed by Al Wasatah Al Maliah Company
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying condensed interim financial position of **Wasatah IPO Fund** (the "Fund") as of 30 June 2018 and the related condensed interim statements of comprehensive income, changes in net assets attributable to unit holders and cash flows for the six-month period then ended together with a summary of significant accounting policies and explanatory notes from 1 to 16.

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 ("IAS 34") - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently 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.

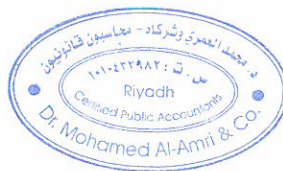
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



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



Riyadh, on: 02 Thul Hijjah 1439 (H)
Corresponding to: 13 August 2018 (G)

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2018**

		<u>30 June</u> <u>2018</u> <u>SR</u> (Unaudited)	<u>31 December</u> <u>2017</u> <u>SR</u> (Audited)	<u>1 January</u> <u>2017</u> <u>SR</u> (Audited)
<u>ASSETS</u>				
Financial assets at fair value through profit or loss "FVTPL"	7, 15	10,188,347	20,944,287	40,837,414
Other receivable		115,194	16,000	96,267
Cash and cash equivalent	8	20,248,484	24,565,999	18,159,590
Total assets		<u>30,552,025</u>	<u>45,526,286</u>	<u>59,093,271</u>
<u>LIABILITIES</u>				
Management and custody fee payable	10	137,436	250,511	310,529
Board of Directors' fee	10	11,901	24,000	6,049
Accrued expenses		47,455	22,465	48,761
Redemptions payable		-	-	2,250,591
Total liabilities		<u>196,792</u>	<u>296,976</u>	<u>2,615,930</u>
Net assets attributable to unit holders		<u>30,355,233</u>	<u>45,229,310</u>	<u>56,477,341</u>
Units in issue (Numbers)		<u>33,894</u>	<u>52,307</u>	<u>57,518</u>
Net assets value - per unit (SR)		<u>895.59</u>	<u>864.69</u>	<u>981.91</u>

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018**

	<u>Notes</u>	<u>30 June 2018</u> <u>SR</u>	<u>30 June 2017</u> <u>SR</u>
<u>INCOME</u>			
Dividend income		592,667	806,039
Net gain /(loss) from financial assets at FVTPL	9	1,363,876	(3,739,440)
Other income		43,338	27,206
Total income/ (loss)		1,999,881	(2,906,195)
<u>EXPENSES</u>			
Management fee	10	317,505	439,099
Custody fee	10	58,301	103,319
Transaction costs	15	15,054	21,090
Board of Directors' fee	10	11,901	11,901
Other operating expenses	11	34,531	33,163
Total operating expenses		437,292	608,572
Operating profit / (loss) for the period		1,562,589	(3,514,767)
Other comprehensive income for the period		-	-
Total comprehensive income for the period		1,562,589	(3,514,767)

The accompanying notes 1 to 16 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 UNITHOLDER
(UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018**

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>SR</u>	<u>SR</u>
Net assets at 1 January	45,229,310	56,477,341
Total comprehensive income for the period	1,562,589	(3,514,767)
Changes from unit transactions		
Proceeds from units issued	-	-
Payments for units redeemed	(16,436,666)	(3,325,614)
Net assets at 30 June	<u>30,355,233</u>	<u>49,636,960</u>

UNIT TRANSACTIONS

Transactions in units are summarized as follows:

	<u>Numbers</u>	
Units at 1 January	52,307	57,518
Units issued	-	-
Units redeemed	(18,413)	(3,524)
Net decrease in units	(18,413)	(3,524)
Units at 30 June	<u>33,894</u>	<u>53,994</u>

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018**

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>SR</u>	<u>SR</u>
OPERATING ACTIVITIES		
Operating profit for the period	1,562,589	(3,514,767)
Adjustment for:		
Net gain /(loss) from financial assets at FVTPL	(1,363,876)	3,739,440
Dividend income	(592,667)	(806,039)
Changes in operating assets and liabilities:		
Purchase of financial assets at FVTPL	(4,256,800)	(10,546,275)
Proceeds from disposal of financial assets at FVTPL	16,376,615	19,158,218
Other receivable	662	24,267
Management and custody fee payable	(113,075)	(41,795)
Board of Directors' fee	(12,099)	5,852
Accrued expenses	24,990	(22,841)
Redemption payable	-	(2,250,591)
Net increase in operating assets and liabilities	11,626,339	5,745,469
Dividend received	492,811	672,039
Net cash generated from operating activities	12,119,150	6,417,508
FINANCING ACTIVITIES		
Payments for units redeemed	(16,436,665)	(3,325,614)
Net cash used in financing activities	(16,436,665)	(3,325,614)
Net (decrease) / increase in cash and cash equivalents	(4,317,515)	3,091,894
Cash and cash equivalents at 1 January	24,565,999	18,159,590
Cash and cash equivalents at 30 June	20,248,484	21,251,484

The accompanying notes 1 to 16 form an integral part of these financial statements

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018

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 "Unit holders").

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 positive net returns. The fund primarily invests in initial public offerings, rump offerings and stocks listed within the last 5 years on Saudi Stock Market 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 and 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 unit holders.

The Capital Market Authority ("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 March 01, 2015 G).

In dealing with the Unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the Unit holders 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 30 June 2018, therefore, Wasatah Capital is the parent company of the Fund.

2. REGULATORY FRAMEWORK

The Fund is governed by the Investment Funds Regulations ("the Regulations") issued by CMA as amended up to 16 Sha'ban 1437 H (corresponding to 23 May 2016 G) detailing requirements for investment funds operating in the Kingdom of Saudi Arabia.

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*

These condensed interim financial statements are the first general purpose financial statements prepared in accordance with International Accounting Standard IAS-34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organisation for Certified Public Accountants (SOCPA), Capital Market Authority (CMA) and the Fund's terms and conditions, so far as they relate to the preparation and presentation of the Financial Statements of the Fund.

These condensed interim financial statements do not include all of the information required for a full set of annual Financial Statements prepared under IFRS.

WASATAH IPO FUND

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018

BASIS OF PREPARATION (Continued)

Transition to International Financial Reporting Standards (IFRSs)

For all periods up to and including the year ended 31 December 2017, the fund prepared its financial statements in accordance with accounting principles generally accepted in the Kingdom of Saudi Arabia "Saudi GAAP". These condensed interim financial statements for the period ended 30 June 2018 are the first the Fund has prepared in accordance with IFRS, therefore, these include some additional disclosures required by IFRS 1 "First-time Adoption of International Financial Reporting Standards" to enable the users to understand how the transition to IFRS has affected previously reported amounts, refer note 15 for details.

4.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, except for the financial assets at fair value through profit or loss which are carried at fair value, using the accrual basis of accounting and going concern concept.

4.3 *Functional and presentation currency*

These condensed interim financial statements are presented in Saudi Arabian Riyals (SR) which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest SR unless stated otherwise.

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:

Classification and valuation 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 contractual cash flows.

The Fund has classified its investments in equity securities at fair value through profit or loss "FVTPL". Gain or loss arising from subsequent change in fair value and on sale of financial assets at FVTPL is recognised in the statement of comprehensive income.

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.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over income tax treatments

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018**

6. SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies applied by the Fund throughout all periods 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 commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales 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.

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 amortised 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.

• **Amortised cost:** Financial 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 amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised in profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method. Currently there is no debt instruments held by the fund at amortised cost.

• **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 amortised cost are recognised in profit or loss statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised 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. Currently there is no debt instrument held by the fund at FVTOCI.

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018**

- **Fair value through profit or loss (FVTPL):** Financial assets that do not meet the criteria for amortised 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 income 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. Currently there is no debt instrument held by the fund at FVTPL.

Business model

The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

For example, the liquidity portfolio of assets, which is held by the Fund as part of liquidity management, is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Solely payments of principal and profit

Where the business model is to hold assets solely to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assess whether the financial instruments' cash flows represent solely payments of principal and profit. In making this assessment, the Fund considers whether the contractual cash flows are consistent with the lending agreement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the period.

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 recognised 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 recognised in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018

6. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

On derecognition of a financial asset measured at FVTPL and amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of profit or loss.

Reclassifications

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

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.

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.

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.

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 an 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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018****6. SIGNIFICANT ACCOUNTING POLICIES (Continued)*****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 fees and other expenses are charged at rates/amounts within limits mentioned in terms and conditions of the Fund. These charges are calculated and accrued on each valuation day.

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.

Under the terms and conditions of the Fund, the Fund is liable to pay the following expenses to the Fund Manager:

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 period, the fund appointed Al Bilad Investment Company as custodian of the fund. As per revised Terms and Conditions custody fee is chargeable up to 0.8% of net assets value p.a. and accrued on daily basis. Previously 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 are the obligation of the Unit holders and are not provided for in these interim 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 balance sheet is calculated by dividing the net assets of the Fund by the number of units in issue at the period / year end.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<u>30 June</u>	<u>31 December</u>
		<u>2018</u>	<u>2017</u>
	<i>Notes</i>	<u>SR</u>	<u>SR</u>
Opening balance		20,944,287	40,837,414
Purchased during the period/year		4,256,800	16,251,975
Sold during the period/year		(16,376,616)	(29,655,875)
Realised gain / (loss)		1,568,246	(4,438,024)
Change in fair value		(204,370)	(2,051,203)
Closing balance	7.1	<u>10,188,347</u>	<u>20,944,287</u>

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018****FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

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

<u>Industry group</u>	<u>Cost</u>	<u>Market value</u>	<u>% of market value</u>
		30 June 2018	
Health Care Equipment and Service	2,695,513	2,920,788	29%
Real Estate Management and Development	2,636,796	2,349,176	23%
Transportation	2,154,214	1,968,497	19%
Consumer Durables and Apparel	1,495,920	1,603,000	16%
Capital Goods	800,788	792,888	8%
Materials	609,486	553,998	5%
	10,392,717	10,188,347	100%

<u>Industry group</u>		31 December 2017	
Health Care Equipment and Service	5,429,133	3,985,640	19%
Materials	5,281,673	5,177,640	25%
Retailing	4,422,347	5,274,155	25%
Real Estate Management and Development	4,027,734	4,009,527	19%
Transportation	3,839,994	2,497,325	12%
	23,000,881	20,944,287	100%

<u>Industry group</u>		1 January 2017	
Health Care Equipment and Service	14,750,281	15,568,480	38%
Transportation	6,255,082	9,626,280	24%
Materials	5,651,098	5,185,750	13%
Consumer Services	4,596,131	4,641,194	11%
Retailing	4,482,863	4,097,760	10%
Real Estate Management and Development	1,708,956	1,717,950	4%
	37,444,411	40,837,414	100%

8. CASH AND CASH EQUIVALENTS

	<u>30 June</u>	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>SR</u>	<u>SR</u>	<u>SR</u>
Cash at bank	-	5,961,722	4,381,896
Cash held with custodian	14,248,484	8,604,277	7,277,694
Murabaha placement with a bank – original maturities of three months or less	6,000,000	10,000,000	6,500,000
	20,248,484	24,565,999	18,159,590

The effective commission rate on Murabaha deposit as at 30 June 2018 was 2.3% per annum (31 December 2017: 1.8% p.a. and 1 January 2017: 2.8% p.a.).

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018****9. NET GAIN /(LOSS) FROM FINANCIAL ASSETS AT FVTPL**

	<u>Note</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
		<u>SR</u>	<u>SR</u>
Realised gain / loss, net	15	1,568,246	(2,127,323)
Unrealised loss, net	15	(204,370)	(1,612,117)
		<u>1,363,876</u>	<u>(3,739,440)</u>

10. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Fund transacts with its related parties. The Fund Manager which is also the parent company of the Fund; Board members and key management personnel of the company and the Fund's Board Members are considered to be related parties of the Fund.

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.

The unit holders' account included units held by Fund Manager as follows:

Relationship	30 June 2018		
	Units (number)	Net Asset Value SR	% of total Units
Fund manager	20,000.00	17,911,733	59%
Board members of parent company	6,876.47	6,158,498	20%
Members of the fund board	19.91	17,834	0.05%
	<u>26,896.38</u>	<u>24,088,065</u>	
	31 December 2017		
Fund manager	20,000.00	17,293,815	38%
Members of the fund board	19.91	17,219	0.04%
Key management personnel of the fund manager	214.79	185,727	0.4%
	<u>20,234.70</u>	<u>17,496,761</u>	
	1 January 2017		
Fund manager	20,000.00	19,638,204	35%
Members of the fund board	19.91	19,550	0.03%
Key management personnel of the fund manager	214.79	210,904	0.4%
	<u>20,234.70</u>	<u>19,868,658</u>	

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

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10. TRANSACTIONS WITH RELATED PARTIES (Continued)

Related party transactions for the six-month period ended 30 June 2018 and balances arising there from are described as under:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Transaction during the period ended</u>		<u>Balance as at</u>		
		<u>30 June 2018</u>	<u>2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>	<u>1 January 2017</u>
Al Wasatah Al Maliah Company	Management fee	<u>317,505</u>	<u>439,099</u>	<u>137,436</u>	<u>202,794</u>	<u>251,380</u>
	Custody fee	<u>36,003</u>	<u>103,319</u>	<u>-</u>	<u>47,717</u>	<u>59,149</u>
Board of Directors	Annual remuneration	<u>11,901</u>	<u>11,901</u>	<u>11,901</u>	<u>24,000</u>	<u>6,049</u>

11. OTHER OPERATING EXPENSES

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>SR</u>	<u>SR</u>
Audit fee	<u>15,621</u>	<u>14,877</u>
Benchmark calculation fee	<u>12,588</u>	<u>12,087</u>
CMA monitoring and reviewing fee	<u>3,719</u>	<u>3,719</u>
Other expenses	<u>2,603</u>	<u>2,480</u>
	<u>34,531</u>	<u>33,163</u>

12. SEGMENT REPORTING

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities and short term debt instruments like Murabaha placements. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

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.

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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 period 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.

Price risk is managed by the investment manager by diversifying the portfolio and limiting concentration of investments in financial instruments specified in term and conditions of the Fund and specified by CMA investment fund regulations.

The internal procedures require the investment manager to manage price risk on a daily basis by monitoring fund's portfolio exposure.

If the price risk is not in accordance with the investment policy or investment fund regulations, then the fund investment manager is required to rebalance the portfolio within 5 days of such breach.

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 receivables. The cash and cash equivalents represent cash held with custodian which is maintained with a reputed local bank. Other receivable mainly includes dividend receivable from a Brokerage Company; fund's exposure to associated credit risk is not significant. 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 30 June 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 throughout the week and it is, therefore, exposed to the liquidity risk of meeting unit holder redemptions. The Fund's financial assets 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.

WASATAH IPO FUND

Managed by Al Wasatah Al Maliah Company

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2018****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 30 June 2018, 31 December 2017 and 1 January 2017, the carrying value and fair value of the equity instruments of the Fund is as follows.

	30 June 2018	31 December 2017	1 January 2017
Financial assets at FVTPL	<u>SR</u>	<u>SR</u>	<u>SR</u>
Level 1			
Listed equity securities	10,188,347	20,944,287	40,837,414

15. FIRST TIME ADOPTION OF IFRSs**New and revised IFRSs adopted during the period**

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The relative impact of the new standards on these financial statements is discussed as below:

IFRS 9 Financial Instruments

IFRS 9 is effective from 1 January 2018. The standard contains requirements in the following areas:

Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments such as Murabaha placements having original maturity period of more than three months.

Upon transition the fund has classified all of its equity investments at fair value through profit or loss. Subsequent changes in the fair value of such financial assets at FVTPL are recognised in other gains/ (losses) in the statement of profit or loss.

Impairment: At 30 June 2018, 31 December 2017 and 1 January 2017 the Fund does not have significant exposure to financial assets that require estimation of expected credit losses under IFRS 9.

Hedge accounting: The Fund does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the interim financial statements of the fund.

Derecognition: Upon transition to IFRS none of the financial assets or liabilities previously recognized under Saudi GAAP require derecognition under IFRS.

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15. FIRST TIME ADOPTION OF IFRSs (Continued)

IFRS 9 Financial Instruments (continued)

The effect of adopting IFRS 9 on previously recognized financial assets and financial liabilities relates solely to classification and disclosure requirements. Details of the designations and relevant reclassifications applied from the date of transition to IFRS i.e. 1 January 2017 prospectively are as follows:

Financial instrument	Classification		Note	Carrying value	
	Saudi GAAP	IFRS 9		Saudi GAAP SR	IFRS 9 SR
Listed equity investments	Held for trading	Financial assets at FVTPL	7	40,837,414	40,837,414
For six-month ended 30 June 2017					
		Originally reported under Saudi GAAP		Reclassification under IFRS transition	Under IFRS 9
Statement of comprehensive income		<u>SR</u>		<u>SR</u>	<u>SR</u>
Realized loss		2,142,449		15,126	2,127,323
Unrealized loss		1,618,081		5,964	1,612,117
Transaction costs		-		(21,090)	(21,090)

• **IFRS 15 Revenue from Contracts with Customers**

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Adoption of IFRS 15 does not have any impact on the revenue recognized by the Fund.

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.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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16. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund's Board on 02 Thul Hijjah 1439H corresponding to 13 August 2018G.
