Arabian Opportunities Fund
(Managed by Audi Capital Company)

FINANCIAL STATEMENTS

31 DECEMBER 2018

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF ARABIAN OPPORTUNITIES FUND
(Managed by Audi Capital Company)

Opinion

We have audited the financial statements of Arabian Opportunities Fund (the "Fund") - managed by Audi Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2018 and notes to the financial statements, 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, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants, the applicable provisions of the Investment Fund Regulations issued by the Board of the Capital Market Authority, the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 has no realistic alternative but to do so.

Those charged with governance 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional 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.

- 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.

INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF ARABIAN OPPORTUNITIES FUND
(Managed by Audi Capital Company) **(continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
License No. 354

Riyadh: 2 Sha'aban 1440H
(7 April 2019)

STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	*31 December 2018* **USD**	*31 December 2017 (Note 14) USD*	*1 January 2017 (Note 14) USD*
ASSETS				
Cash and cash equivalents		**1,548,860**	816,245	1,226,829
Investments at fair value through profit or loss	7	**11,815,503**	14,200,574	17,079,339
Other receivables		**1,489**	-	1,087,289
TOTAL ASSETS		**13,365,852**	15,016,819	19,393,457
LIABILITIES				
Management fee payable	9	**22,841**	52,442	32,708
Custody fee payable		**2,548**	5,014	2,541
Administration fee payable	9	**2,548**	5,014	2,541
Accrued expenses		**12,653**	13,655	16,490
TOTAL LIABILITIES		**40,590**	76,125	54,280
EQUITY				
Net assets attributable to the Unit Holders		**13,325,262**	14,940,694	19,339,177
Redeemable units in issue		**966,574**	1,142,201	1,516,714
Net assets value attributable to each unit		**13.79**	13.08	12.75

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	***2018*** ***USD***	*2017* *USD*
INVESTMENT INCOME			
Net gain from investments at fair value through profit or loss	8	**1,310,426**	812,369
EXPENSES			
Management fee expense	9	**(289,645)**	(297,586)
Other expenses	10	**(161,803)**	(139,958)
PROFIT FOR THE YEAR		**858,978**	374,825
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**858,978**	374,825

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	2018 *USD*	*2017* *USD*
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE BEGINNING OF THE YEAR	**14,940,694**	19,339,177
Profit for the year	**858,978**	374,825
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**858,978**	374,825
CONTRIBUTIONS AND REDEMPTIONS BY THE UNIT HOLDERS:		
Proceeds from units issued	-	4,509,415
Value of units redeemed	**(2,474,410)**	(9,282,723)
Net redemptions by the Unit Holders	**(2,474,410)**	(4,773,308)
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE END OF THE YEAR	**13,325,262**	14,940,694

UNIT TRANSACTIONS

Transactions in units for the year ended 31 December are summarised as follows:

	2018 *Units*	*2017* *Units*
Units at the beginning of the year	**1,142,201**	1,516,714
Units issued	-	340,297
Units redeemed	**(175,627)**	(714,810)
Decrease in units	**(175,627)**	(374,513)
Units as at end of the year	**966,574**	1,142,201

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	*2018* *USD*	*2017* *USD*
OPERATING ACTIVITIES			
Profit for the year		**858,978**	374,825
Adjustment for:			
Unrealized (gains) loss on investments at fair value through profit or loss	8	**(586,177)**	134,247
		272,801	509,072
Working capital adjustments:			
Investments at fair value through profit or loss		**2,971,248**	2,744,518
Other receivables		**(1,489)**	1,087,289
Management fee payable		**(29,601)**	19,734
Custody fee payable		**(2,466)**	2,473
Administration fee payable		**(2,466)**	2,473
Accrued expenses		**(1,002)**	(2,835)
Net cash flows from operating activities		**3,207,025**	4,362,724
FINANCING ACTIVITIES			
Proceeds from units issued		**-**	4,509,415
Value of units redeemed		**(2,474,410)**	(9,282,723)
Net cash flows used in financing activities		**(2,474,410)**	(4,773,308)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**732,615**	(410,584)
Cash and cash equivalents at beginning of the year		**816,245**	1,226,829
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,548,860**	816,245

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

1. GENERAL

Arabian Opportunities Fund (the "Fund") is an open-ended fund created by an agreement between Audi Capital Company (the "Fund Manager") and investors (the "Unit Holders") in the Fund. The objective of the Fund is to achieve capital appreciation primarily through investment in equities listed on the regulated stock markets of the members of the Arab League and in tradable debt instruments of corporate and sovereign issuers from the Arab League countries.

The Fund was established on 14 Shabaan 1428H (corresponding to 29 August 2007) as per approval from the Capital Market Authority ("CMA") and commenced its operations on 08 September 2007.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and the new investment Fund Regulations ("Amended Regulations") published by the Capital Market Authority on 16 Sha'aban 1437H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Origination for Certified Public Accountants ("IFRS as endorsed in KSA"). These are the Fund's first annual financial statements prepared in accordance IFRS as endorsed in KSA.

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 Saudi Organization for Certified Public Accountants ("SOCPA Accounting Standards"). The financial statements for the year ended 31 December 2018 are the first annual financial statements of the Fund prepared in accordance with IFRS as endorsed in KSA and IFRS 1 as endorsed in KSA has been applied.

Refer to note 14 for information on how the Fund's financial statements are impacted upon the adoption of IFRS as endorsed in KSA.

3.2. BASIS OF PREPARATION

The financial statements are prepared on a historical cost basis, except for the fair value measurement of investments at fair value through profit or loss.

These financial statements are presented in United States Dollar ("USD"), which is the Fund's functional currency.

Functional currency is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's investments and transactions are denominated in USD. Investor subscriptions and redemptions are determined based on net asset value, and received and paid in USD. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in USD. Accordingly, management has concluded that the functional currency of the Fund is USD.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial instruments

Initial recognition

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, their fair value including transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI"); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss.

The Fund designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial instruments (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Fund holds receivables with no financing component having maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to profit or loss.

Special commission revenue on impaired financial assets is recognised using the rate of special commission used to discount the future cash flows for the purpose of measuring the impairment loss.

Trade date accounting

All regular way purchases and sales of financial assets are recognised / derecognised 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.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Accrued expenses and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

Redeemable units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unit Holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unit Holder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, 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 recognised in net assets attributable to the Unit Holders. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

Management fees

Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager will charge a management fee of 2% of the Net Asset Value accrued daily and paid on monthly basis.

Dividend income

Dividend income is recognised in profit or loss on the date on which the Fund's right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")
Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments which were realised in the reporting year. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount or cash payments.

Fee and other expenses
Fee and other expenses are recognized on an accrual basis.

Zakat and income tax
Under the current system of taxation in the Kingdom of Saudi Arabia, the Fund is not liable to pay any zakat or income tax as they are considered to be the obligation of the Unit Holders and as such, are not provided in these financial statements.

Net asset value per unit
Net assets value per unit as 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 reporting date.

Foreign currency translation
Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange gains / losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain / loss from financial instruments at FVTPL.

5. USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS as endorsed in KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

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

5 USE OF JUDGMENTS AND ESTIMATES (continued)

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices, which is recognised as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures all its financial assets and liabilities at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 11.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. The Fund has not yet undertaken an assessment to determine the potential impact on the amounts reported and disclosures to be made under the new standards. The Fund intends to adopt these standards on their respective mandatory effective dates, if applicable. The following is the summary of new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Deferred indefinitely
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • whether tax treatments should be considered collectively; • assumptions for taxation authorities' examinations; • the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • the effects of changes in facts and circumstances	1 January 2019

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

New and revised IFRS (continued)

	Effective for annual periods beginning on or after
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2021
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2022.	1 January 2021

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following sector exposures as at reporting date:

	31 December 2018		*31 December 2017*		*1 January 2017*	
	% of market value	***Market value USD***	*% of market value*	*Market value USD*	*% of market value*	*Market value USD*
Equities						
Banks	**51%**	**6,098,345**	34%	4,791,592	37%	6,252,567
Chemicals	**11%**	**1,246,158**	12%	1,764,362	13%	2,170,524
Wholesale and retail sector	**8%**	**917,428**	16%	2,210,202	6%	1,092,492
Real Estate Development and Construction	**7%**	**832,046**	14%	2,010,397	16%	2,776,032
Telecommunication	**6%**	**734,907**	6%	913,599	9%	1,477,680
Health care	**6%**	**692,466**	1%	127,818	4%	780,220
Shipping and transportation	**4%**	**509,301**	2%	302,350	3%	480,685
Travel and leisure	**2%**	**260,494**	2%	247,317	2%	270,845
Consumer goods	**2%**	**226,481**	12%	1,656,097	9%	1,578,057
Manufacturing	**2%**	**186,802**	-	-	-	-
Oil Equipment and Sservices	**1%**	**111,075**	1%	176,840	1%	200,237
Total	**100%**	**11,815,503**	100%	14,200,574	100%	17,079,339

Equity investments are unrated equity investments listed on the stock exchanges of GCC countries.

8. NET GAIN FROM INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 USD	*2017 USD*
Unrealised gain (loss)	**586,177**	(134,247)
Realised gain	**128,312**	371,997
Dividend income	**595,937**	574,619
	1,310,426	812,369

9. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions

The Fund pays a management fee calculated on every valuation day, at an annual rate of 2% of the net assets. The calculation of the management fee is done on a daily basis and the payment is made on the last valuation day of the relevant month. Additionally, the Fund Manager also charges an administration fee at an annual rate of 0.15% of the net asset value on the last valuation day of the relevant month, subject to a minimum of USD 30,000 per annum. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Management fee expenses is disclosed in the statement of comprehensive income while administration fee and advisory board compensation are disclosed in note 10 to the financial statements. Management fee payable and administration fee payable are disclosed on the statement of financial position.

Trade transactions on the Saudi stock exchange are executed through the Fund Manager.

Units held by related parties

The Unit Holders' account as at 31 December 2018 included 624,524 units (31 December 2017: 783,199 units and 1 January 2017: 490,803 units), held by affiliates of the Fund Manager.

10. OTHER EXPENSES

	2018 USD	*2017 USD*
Dealing cost	**46,710**	42,190
Administration fees	**30,000**	30,000
Custody fees	**30,000**	30,000
VAT expense	**20,887**	-
Advisory board compensation	**14,020**	10,016
Audit fees	**12,000**	12,000
CMA charges	**2,000**	2,000
Others	**6,186**	13,752
Total	**161,803**	139,958

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The table below presents the fair value of financial instruments as of reporting date based on the fair value hierarchy:

	31 December 2018			
	Level 1 USD	*Level 2 USD*	*Level 3 USD*	*Total USD*
Financial assets				
Cash and cash equivalents	-	**1,548,860**	-	**1,548,860**
Investments at fair value through profit or loss	**11,815,503**	-	-	**11,815,503**
Other receivables	-	**1,489**	-	**1,489**
Total	**11,815,503**	**1,550,349**		**13,365,852**
Financial liabilities				
Management fee payable	-	**22,841**	-	**22,841**
Accrued expenses	-	**12,653**	-	**12,653**
Custody fee payable	-	**2,548**	-	**2,548**
Administration fee payable	-	**2,548**	-	**2,548**
Total	-	**40,590**	-	**40,590**

11. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 December 2017			
	Level 1 USD	*Level 2 USD*	*Level 3 USD*	*Total USD*
Financial assets				
Cash and cash equivalents	-	816,245	-	816,245
Investments at fair value through profit or loss	14,200,574	-	-	14,200,574
Total	14,200,574	816,245	-	15,016,819
Financial liabilities				
Management fee payable	-	52,442	-	52,442
Custody fee payable	-	5,014	-	5,014
Administration fee payable	-	5,014	-	5,014
Accrued expenses	-	13,655	-	13,655
Total	-	76,125	-	76,125

	1 January 2017			
	Level 1 USD	*Level 2 USD*	*Level 3 USD*	*Total USD*
Financial assets				
Cash and cash equivalents	-	1,226,829	-	1,226,829
Investments at fair value through profit or loss	17,079,339	-	-	17,079,339
Other receivables	-	1,087,289	-	1,087,289
Total	17,079,339	2,314,118	-	19,393,457
Financial liabilities				
Management fee payable	-	32,708	-	32,708
Custody fee payable	-	2,541	-	2,541
Administration fee payable	-	2,541	-	2,541
Accrued expenses	-	16,490	-	16,490
Total	-	54,280	-	54,280

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting year during which the change has occurred. During the current and prior year, there was no transfers between various levels fair value hierarchy.

12. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

As at 31 December 2018	*Within 12 months USD*	*After 12 months USD*	*Total USD*
ASSETS			
Cash and cash equivalents	**1,548,860**	-	**1,548,860**
Investments at fair value through profit or loss	**11,815,503**	-	**11,815,503**
Other receivables	**1,489**	-	**1,489**
TOTAL ASSETS	**13,365,852**	-	**13,365,852**
LIABILITIES			
Management fee	**22,841**	-	**22,841**
Custody fee payable	**2,548**	-	**2,548**
Administration fee payable	**2,548**	-	**2,548**
Accrued expenses	**12,653**	-	**12,653**
TOTAL LIABILITIES	**40,590**	-	**40,590**

As at 31 December 2017	*Within 12 months USD*	*After 12 months USD*	*Total USD*
ASSETS			
Cash and cash equivalents	816,245	-	816,245
Investments at fair value through profit or loss	14,200,574	-	14,200,574
TOTAL ASSETS	15,016,819	-	15,016,819
LIABILITIES			
Management fee	52,442	-	52,442
Custody fee payable	5,014	-	5,014
Administration fee payable	5,014	-	5,014
Accrued expenses	13,655	-	13,655
TOTAL LIABILITIES	76,125	-	76,125

As at 1 January 2017	*Within 12 months USD*	*After 12 months USD*	*Total USD*
ASSETS			
Cash and cash equivalents	1,226,829	-	1,226,829
Investments at fair value through profit or loss	17,079,339	-	17,079,339
Other receivables	1,087,289	-	1,087,289
TOTAL ASSETS	19,393,457	-	19,393,457
LIABILITIES			
Management fee	32,708	-	32,708
Custody fee payable	2,541	-	2,541
Administration fee payable	2,541	-	2,541
Accrued expenses	16,490	-	16,490
TOTAL LIABILITIES	54,280	-	54,280

13. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk;

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

Financial risk management framework

The Fund's objective in managing risk is the creation and protection of unitholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk).

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. The composition of the portfolio are monitored by the Fund Board on a semi-annual basis.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position at each reporting date.

	31 December 2018 USD	*31 December 2017 USD*	*1 January 2017 USD*
Cash equivalents	**1,548,860**	816,245	1,226,829
Other receivables	**1,489**	-	1,087,289
	1,550,349	816,245	2,314,118

Credit risk on cash equivalents is limited as these are held with banks with sound credit ratings.

As at reporting date, other receivables were neither past due or impaired. The Fund manager believes that the unimpaired amounts are still collectable in full, based on historical payment behavior and extensive analysis of credit risk, including counterparty's credit rating, where available.

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial assets.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on stock markets. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the fair value of its holdings in financial instruments.

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

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

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

Sensitivity analysis

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

	31 December 2018 USD	*31 December 2017 USD*
Strengthening of 5%	**590,775**	710,029
Weakening of 5%	**(590,775)**	(710,029)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund views USD as its functional currency. The Fund is exposed to currency risk since investments at fair value through profit or loss are held in various currencies. Saudi Riyal, UAE Dirhams and Qatari Riyal are pegged to the US Dollar; however, the Fund is exposed to currency risk due to the exchange rate fluctuation from some other currencies such as Kuwaiti Dinar and Egyptian Pounds. The Fund Manager currency risk of the Fund by regularly monitoring exchanges rates of these currencies.

13. FINANCIAL RISK MANAGEMENT (continued)

The following tables sets out the effect on net assets attributable to unit holders of reasonably possible weakening / strengthening of foreign currency rates (for currencies which are currently not pegged to the USD), with all other variables held constant.

	31 December 2018	*31 December 2017*
	USD	*USD*
Egyptian Pounds		
Strengthening of 5%	**35,090**	116,906
Weakening of 5%	**(35,090)**	(116,906)
Kuwaiti Dinar		
Strengthening of 5%	**100,605**	89,580
Weakening of 5%	**(100,605)**	(89,580)

14. FIRST-TIME ADOPTION OF IFRS AS ENDORSED IN KSA

As stated in note 3, these financial statements are the first annual financial statements prepared by the Fund in accordance with IFRS as endorsed in KSA.

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position at 1 January 2017 (the Fund's date of transition to IFRS as endorsed in KSA).

The transition from SOCPA Accounting Standards ("SOCPA") to IFRS as endorsed in KSA had no impact on the Fund's statements of financial position and comprehensive income.

Due to no transition impact, no separate reconciliation statement has been prepared to reconcile the statements of financial position and comprehensive income as per SOCPA Accounting Standards and as per IFRS as endorsed in KSA.

15. LAST VALUATION DAY

The last valuation day of the year was 31 December 2018 (year ended 31 December 2017: 31 December 2017).

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements are approved by the Fund Board 2 Sha'aban 1440H (corresponding to 7 April 2019).