Audi Murabaha Fund
(Managed by Audi Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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Independent Auditors' Review Report on the Interim Condensed Financial Statements

To the Unit Holders of Audi Murabaha Fund

Introduction:

We have reviewed the accompanying interim Condensed statement of financial position of Audi Murabaha Fund ("the Fund") as at 30 June 2018, and the related interim Condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with 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 interim condensed financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

for Ernst & Young

Fahad M. Altoami
Certified Public Accountant
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ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

Riyadh: 2 Thul Hijjah 1439H
(13 August 2018)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2018
(All amounts in Saudi Riyal)

	Notes	30 June 2018	31 December 2017
ASSETS			
Cash and cash equivalents		**1,828,179**	110,495
Money market placements measured at amortised cost		**11,995,140**	21,073,877
Investment at fair value through profit or loss (FVTPL)	7	**3,888,358**	4,458,073
Investment at fair value through other comprehensive income (FVOCI)	7	**4,041,826**	-
Investment at amortised cost	7	**-**	1,805,177
TOTAL ASSETS		**21,753,503**	27,447,622
LIABILITIES			
Management fee payable		**7,229**	9,453
Accrued expenses and other liabilities		**44,243**	70,147
TOTAL LIABILITIES		**51,472**	79,600
EQUITY			
Net assets attributable to the Unit Holders		**21,702,031**	27,368,022
Redeemable units in issue		**2,130,086**	2,703,992
Net assets value attributable to each unit		**10.19**	10.12

The attached notes from 1 to 15 form a part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2018
(All amounts in Saudi Riyal)

	Notes	For the six month period 30 June 2018	For the period from 18 December 2016 to 30 June 2017
INCOME			
Special commission income on:			
-money market placements		**177,565**	355,136
-investment at FVOCI		**54,870**	-
-investment at amortised cost		**8,283**	-
Net gain from investments at fair value through profit or loss	8	**59,049**	58,373
		299,767	413,509
EXPENSES			
Management fees	11	**(53,510)**	(93,199)
Other expenses	10	**(69,159)**	(66,093)
		(122,669)	(159,292)
PROFIT FOR THE PERIOD		**177,098**	254,217
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME		**177,098**	254,217

The attached notes from 1 to 15 form a part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-month period ended 30 June 2018
(All amounts in Saudi Riyal)

	For the six month period 30 June 2018	For the period from 18 December 2016 to 30 June 2017
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE BEGINNING OF THE PERIOD	**27,368,022**	-
Profit for the period	**177,098**	254,217
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**177,098**	254,217
CONTRIBUTIONS AND REDEMPTIONS BY THE UNIT HOLDERS:		
Issuance of units during the period	**5,185,000**	62,429,973
Redemptions of units during the period	**(11,028,089)**	(21,591,610)
Net (redemptions) / issuance of units	**(5,843,089)**	40,838,363
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS AT THE END OF THE PERIOD	**21,702,031**	41,092,580

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units are summarised as follows:

	For the six month period 30 June 2018	For period from 18 December 2016 to 30 June 2017
Units at the beginning of the period	**2,703,992**	-
Units issued during the period	**511,997**	6,239,001
Units redeemed during the period	**(1,085,903)**	(2,153,707)
Net (decrease) increase in units	**(573,906)**	4,085,294
Units as at end of the period	**2,130,086**	4,085,294

The attached notes from 1 to 15 form a part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2018
(Amounts in Saudi Riyal)

	For six month period 30 June 2018	For the period from 18 December 2016 to 30 June 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**177,098**	254,217
Adjustment to reconcile profit for the period to net cash flows from (used in) operating activities		
Unrealized gain on investments at fair value through profit or loss	**(10,641)**	(33,199)
	166,457	221,018
Working capital adjustments:		
Investments	**(1,656,293)**	(10,215,352)
Money market placements measured at amortised cost	**9,078,737**	(29,863,046)
Management fee payable	**(2,224)**	13,692
Accrued expenses	**(25,904)**	45,614
Net cash flows from (used in) operating activities	**7,560,773**	(39,798,074)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	**5,185,000**	62,429,973
Value of units redeemed	**(11,028,089)**	(21,591,610)
Net cash (used in) from financing activities	**(5,843,089)**	40,838,363
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,717,684**	1,040,289
Cash and cash equivalents at the beginning of the period	**110,495**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,828,179**	1,040,289

The attached notes from 1 to 15 form a part of these interim condensed financial statements.

1. GENERAL

Audi Murabaha Fund (the “Fund”) is an open-ended fund created by an agreement between Audi Capital Company (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The objective of the Fund is to invest according to the Shariah guidelines in a variety of financial instruments with low risk and high liquidity including Murabaha deposits with banks and Sukuk, in addition to investing in public Murabaha and fixed income mutual funds which are offered in Saudi Arabia and managed by an Authorized Person licensed by the CMA.

The Fund was established on 16 Safar 1437 (corresponding to 16 November 2016) as per approval from the Capital Market Authority (the “CMA”) and commenced its operations on 18 December 2016.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund 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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

3.1. STATEMENT OF COMPLIANCE

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. These are the Fund’s first financial statements for part of the period covered by the first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“IFRS as endorsed in KSA”).

For all periods 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 interim condensed financial statements for the six-months period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IFRS as endorsed in KSA and IFRS 1 “First-time Adoption” of International Financial Reporting Standards 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 interim condensed financial statements are prepared under the historical cost convention, except for investments at fair value through profit or loss that are measured at fair value, using the accrual basis of accounting. These interim condensed financial statements are presented in Saudi Riyal (“SR”), which is the Fund’s functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1. 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 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, its fair value less 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 amortised 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)

4.1. 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 assesses impairment on a forward looking Expected Credit Losses (“ECL”) associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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.

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

4.2. 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)

4.3. 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.

4.4. Dividend income

Dividend income is recognised in profit or loss on the date on which the 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. Dividend income from equity securities designated as at FVTPL is recognised in statement of comprehensive income in a separate line item.

4.5. 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 and exclude commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments, which were realised in the reporting period. 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 or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

4.6. Fee and other expenses

Fee and other expenses are recognized on an accrual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7. 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.

4.8. Foreign currency translation

Transactions in foreign currencies are translated into SR 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 SR at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in statement of comprehensive income 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 interim condensed 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:

Fair value measurement

The Fund measures its investments in financial instruments classified as FVTPL and FVOCI, such as equity instruments, debentures, other commission bearing investments and derivatives, at fair value at each reporting date. 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 price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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 financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 9.

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 interim condensed financial statements. In the opinion of the Board, these standards will have no significant impact on the financial statements of the Fund. The Fund intends to adopt these standards on their respective mandatory effective dates, if applicable

7. INVESTMENTS

Investments measure at fair value comprise the following:

Securities	30 June 2018 % of market value	30 June 2018 Market value SR	31 December 2017 % of market value	31 December 2017 Market value SR
Al-Yusr Sukuk Fund – (FVTPL)	**49**	**3,888,358**	100	4,458,073
Al-Marai Perpetual Sukuk – (FVOCI)*	**51**	**4,041,826**	-	-
Total	**100**	**7,930,184**	100	4,458,073

Investment at amortised cost include the following:

Securities	30 June 2018 SR	31 December 2017 SR
Bahrain Leasing Sukuk*	-	1,805,177
Total	-	1,805,177

*The management has conducted a review as required under IFRS 9 and based on such assessment, the management believes that there is no need for any significant impairment against the carrying values of investment.

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

	For the six month period ended 30 June 2018 SR	For the period from 18 December 2016 to 30 June 2017 SR
Realised gain	**48,408**	25,174
Unrealised gain	**10,641**	33,199
Total	**59,049**	58,373

9. FAIR VALUES OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the interim condensed 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 and their respective classifications within the level of fair value hierarchy:

	30 June 2018			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets				
Cash and cash equivalents	**-**	**1,828,179**	**-**	**1,828,179**
Money market placement at amortised cost	**-**	**11,995,140**	**-**	**11,995,140**
Investment at fair value through profit or loss	**3,888,358**	**-**	**-**	**3,888,358**
Investment at fair value through other comprehensive income	**-**	**4,041,826**	**-**	**4,041,826**
Total	**3,888,358**	**17,865,145**	**-**	**21,753,503**
Financial liabilities				
Management fee payable	**-**	**7,229**	**-**	**7,229**
Accrued expenses and other liabilities	**-**	**44,243**	**-**	**44,243**
Total	**-**	**51,472**	**-**	**51,472**

9. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	31 December 2017			
	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets				
Cash and cash equivalents	-	110,495	-	110,495
Money market placements at amortised cost	-	21,073,877	-	21,073,877
Investment at fair value through profit or loss	4,458,073	-	-	4,458,073
Investment at amortised cost	-	1,805,177		1,805,177
Total	4,458,073	22,989,549	-	27,447,622
Financial liabilities				
Management fee payable	-	9,453	-	9,453
Accrued expenses and other liabilities	-	70,147	-	70,147
Total	-	79,600	-	79,600

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the fair value 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 period during which the change has occurred. During the current and prior period, there was no transfers between various levels of fair value hierarchy.

For all other financial assets and liabilities not measured at fair value, the carrying value is an approximation of fair value owing to their liquidity and short term tenure.

10. OTHER EXPENSES

	For the six month period ended 30 June 2018 SR	For the period from 18 December 2016 to 30 June 2017 SR
Audit fees	**22,068**	23,214
Board fee	**18,942**	20,635
Islamic Counsel fee	**14,712**	15,476
Tadawul fee	**2,446**	2,705
Value added tax	**3,902**	-
CMA fee	**3,668**	4,063
Other expense	**3,421**	-
	69,159	66,093

11. TRANSACTIONS WITH RELATED PARTIES

Management fee and other transactions
The Fund pays management fee calculated at an annual rate of 0.40% of the net asset value. Expenses paid by the Fund Manager on behalf of the Fund are reimbursed from the Fund.

Management fee expense is disclosed on the interim condensed statement of comprehensive income. Management fee payable is disclosed on the interim condensed statement of financial position. Board fee is set out in note 10 to these financial statements.

Trade transactions are executed through the Fund Manager.

Units held by related parties

The Unit Holders' account as at 30 June 2018 included Nil units (31 December 2017: 491,002), held by affiliate of the Fund Manager.

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 30 June 2018	***Within 12 months SR***	***After 12 months SR***	***Total SR***
ASSETS			
Cash and cash equivalents	**1,828,179**	**-**	**1,828,179**
Money market placements at amortised cost	**11,995,140**	**-**	**11,995,140**
Investments	**7,930,184**	**-**	**7,930,184**
TOTAL ASSETS	**21,753,503**	**-**	**21,753,503**
LIABILITIES			
Management fee payable	**7,229**	**-**	**7,229**
Accrued expenses	**44,243**	**-**	**44,243**
TOTAL LIABILITIES	**51,472**	**-**	**51,472**

As at 31 December 2017	*Within 12 months SR*	*After 12 months SR*	*Total SR*
ASSETS			
Cash and cash equivalents	110,495	-	110,495
Money market placement at amortised cost	21,073,877	-	21,073,877
Investments	6,263,250	-	6,263,250
TOTAL ASSETS	27,447,622	-	27,447,622
LIABILITIES			
Management fee payable	9,453	-	9,453
Accrued expenses	70,147	-	70,147
TOTAL LIABILITIES	79,600	-	79,600

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 Unit Holder 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 commission rate risk, currency risk and price risk).

The Fund's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

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.

13. FINANCIAL RISK MANAGEMENT (continued)

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 Fund is exposed to credit risk on its investments, money market placements measured at amortised cost and cash equivalents.

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

	30 June 2018 SR	31 December 2017 SR
Cash equivalents	**1,828,179**	110,495
Money market placements measured at amortised cost	**11,995,140**	21,073,877
Investments	**7,930,184**	6,263,250
Total exposure to credit risk	**21,753,503**	27,447,622

Credit risk on cash equivalents and money market placements measured at amortised cost is limited as these are held with banks with sound credit ratings.

The credit risk attached to investments is not significant as the investees are financially sound and the Fund expects to recover these financial assets at the stated carrying value in a short period of time.

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.

As of the reporting date, the Fund is exposed to special commission rate risk on special commission bearing money market placements and investments. The Fund manages its special commission rate risk by regularly monitoring the market special commission rates.

The table below sets out the effect on net assets attributable to unit holders at the reporting of a reasonably possible change in the special commission rates. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	30 June 2018 SR	31 December 2017 SR
1% increase in special commission rates	**159,918**	227,345
1% decrease in special commission rates	**(159,918)**	(227,345)

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 Unit Holder 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 Fund’s financial liabilities approximate their carrying values at the reporting date and are all repayable within a period of 12 months from the reporting date.

13. FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, commission 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 Investment Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

Equity price risk

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

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

Sensitivity analysis

The table below sets out the effect on net assets attributable to unit holders at the reporting of a reasonably possible weakening / strengthening in the value of investments carried at fair value The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

	30 June 2018 SR	31 December 2017 SR
Strengthening of 5%	**396,509**	222,904
Weakening of 5%	**(396,509)**	(222,904)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund views the Saudi Riyal as its functional currency.

As the Fund's significant financial assets and liabilities and transactions are denominated in its functional currency, the Fund manager believes that the Fund is not subject to any significant currency risk.

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

As stated in note 3, these interim condensed financial statements are the first 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 period ended 31 December 2017. The Fund's date of transition to IFRS as endorsed in KSA is the inception date of the Fund and since there were no transactions and balances at the inception date of the Fund therefore the statement of financial position on the transition date has not been presented in these interim condensed financial statements.

The table below sets out the principal adjustment made by the Fund in restating its statement of financial position as at December 2017 prepared in accordance with SOCPA Accounting Standards upon transition to IFRS as endorsed in KSA.

	As per SOCPA accounting standards	Classification adjustments	As per IFRS as endorsed in KSA
ASSETS			
Cash and cash equivalent	110,495	-	110,495
Money market placements measured at amortised cost	20,929,307	144,570	21,073,877
Investment at fair value through profit or loss (FVTPL)	4,458,073	-	4,458,073
Investment at amortised cost	1,805,177	-	1,805,177
Accrued income	144,570	(144,570)	-
	27,447,622	-	27,447,622
LIABILITIES			
Management fee payable	9,453	-	9,453
Accrued expenses and other liabilities	70,147	-	70,147
	79,600	-	79,600
NET ASSETS	27,368,022	-	27,368,022

The table below sets out the principal adjustment made by the Fund in restating its statement of financial position as at 30 June 2017 prepared in accordance with SOCPA Accounting Standards upon transition to IFRS as endorsed in KSA.

	As per SOCPA accounting standards	Classification adjustments	As per IFRS as endorsed in KSA
ASSETS			
Cash and cash equivalent	1,040,289	-	1,040,289
Money market placements measured at amortised cost	29,708,478	154,568	29,863,046
Investment at fair value through profit or loss (FVTPL)	10,248,551	-	10,248,551
Accrued income	154,568	(154,568)	-
	41,151,886	-	41,151,886
LIABILITIES			
Management fee payable	13,692	-	13,692
Accrued expenses	45,614	-	45,614
	59,306	-`	59,306
NET ASSETS	41,092,580	-`	41,092,580

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

Under SOCPA accounting standards, accrued income was reported separately on the statement of financial position. Under IFRS as endorsed in KSA, accrued income included with in amortised cost of money market placements. Therefore, accrued income has been reclassified and included within money market placements measured at amortised cost.

Further, under SOCPA accounting standards special commission income was shown as a single amount on the face of statement of comprehensive income, while under IFRS as endorsed in KSA, special commission income relating to financial assets held at amortised cost, FVTPL and FVOCI are separately disclosed.

15. VALUATION PERIOD

The last valuation day of the period was 30 June 2018 (for the period from 18 December 2016 to 30 June 2017: 30 June 2017).