ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2018
Together with
Independent Auditor's Report

ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
Condensed Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2018
Together with the Independent Auditor's Report

KPMG Al Fozan & Partners
Certified Public Accountants
1st Floor, Battoyor Tower
King Saud Road, Al Safa
P.O. Box 4803
Al Khobar, 31952
Kingdom of Saudi Arabia

Telephone +966 13 816 2999
Fax +966 13 816 2888
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report On Review Of Interim Financial Statements

To: The Unitholders of
Arbah Saudi Equity Fund
(Formerly known as Arbah Saudi Qatari Stock Fund)
An open-ended mutual fund
(Managed by Arbah Capital Company)
Dammam, Kingdom of Saudi Arabia

Report on the Review of the Condensed Interim Financial Statements

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial statements of **Arbah Saudi Equity Fund – formerly known as Arbah Saudi Qatari Stock Fund** ("the Fund") managed by Arbah Capital Company ("the Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2018;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2018;
- the condensed statement of changes in net assets attributable to the Unitholders for the six-month period ended 30 June 2018;
- the condensed statement of cash flows for the six-month period ended 30 June 2018; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority and the Fund's Terms and Conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed interim financial statements of **Arbah Saudi Equity Fund – formerly known as Arbah Saudi Qatari Stock Fund ("the Fund")** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The interim financial statements of the Fund for the six-month period ended 30 June 2017, were reviewed by another auditor who expressed an unmodified conclusion on those interim financial statements on 12 July 2017 and the financial statements for the Fund for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 January 2018.

For KPMG Al Fozan & Partners
Certified Public Accountants

____
Abdulaziz Abdullah Alnaim
License no. 394

Al Khobar
Date: 14 August 2018G
Corresponding to: 3 Dhul Hajjah 1439H

ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**30 June 2018 (Unaudited)**	31 December 2017 (Audited)	11 January 2017 (Unaudited)
ASSETS				
Cash and cash equivalents	*7*	**2,272,853**	501,987	5,000,000
Dividends receivable		**16,912**	9,368	-
Investments at fair value through profit or loss	*11*	**8,241,611**	-	-
Investments held for trading	*11*	**-**	5,027,185	-
Other assets		**17,447**	-	-
Total assets		**10,548,823**	5,538,540	5,000,000
LIABILITIES				
Accrued expenses		**72,567**	23,039	-
Total liabilities		**72,567**	23,039	-
Net assets attributable to the Unitholders		**10,476,256**	5,515,501	5,000,000
Units in issue (*numbers*)		**1,047,699**	589,646	500,000
Net Assets Value (NAV) attributable each unit (SAR)		**10.00**	9.35	10.00

These condensed interim financial statements appearing on pages 3 to 23 were approved by the Board on 3 Dhul Hajjah 1439H, corresponding to 14 August 2018G and have been signed on its behalf by:

Hassan Khalil Al Masri
Board member

Sameh Awwad
Finance Manager

The accompanying notes (1) to (15) from an integral part of these condensed interim financial statements.

ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
For the six-month period ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	Notes	**For the six-month period ended 30 June 2018 (Unaudited)**	For the period from 11 January 2017 to 30 June 2017 (Unaudited)
Dividend income		**116,619**	96,876
Net gain from investments at fair value through profit or loss	*8*	**546,070**	-
Net loss from investments at held for trading	*9*	**-**	(504,789)
Gross income		**662,689**	(407,913)
Management and custodian fees	*10*	**(85,487)**	(90,190)
Professional fees		**(10,500)**	(10,000)
Fund board compensation	*10*	**(20,000)**	(20,000)
Other general expenses		**(31,519)**	(35,556)
Total operating expenses		**(147,506)**	(155,746)
Foreign exchange losses		**-**	(31,263)
Net income / (loss) for the period		**515,183**	(594,922)
Other comprehensive income		**-**	-
Increase / (decrease) in the net assets attributable to the Unitholders		**515,183**	(594,922)

The accompanying notes (1) to (15) from an integral part of these condensed interim financial statements.

ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
For the six-month period ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	For the six-month period ended 30 June 2018 (Unaudited)	For the period from 11 January 2017 to 30 June 2017 (Unaudited)
Net assets attributable to the Unitholders at beginning of the period	**5,515,501**	-
Increase / (decrease) in net assets attributable to the Unitholders	**515,183**	(594,922)
Subscriptions and redemptions by the Unitholders:		
Proceeds from issuance of units	**5,226,520**	11,248,069
Payment against redemption of units	**(780,948)**	(1,535,708)
	4,445,572	9,712,361
Net assets attributable to the Unitholders at end of the period	**10,476,256**	9,117,439

Units transactions (numbers)	**For the six-month period ended 30 June 2018** **Units**	For the period from 11 January 2017 to 30 June 2017 Units
Units in issuance at beginning of the period	**589,646**	-
Issuance of units during the period	**537,319**	1,130,911
Redemption of units during the period	**(79,266)**	(159,823)
	458,053	971,088
Units in issuance at end of the period	**1,047,699**	971,088

The accompanying notes (1) to (15) from an integral part of these condensed interim financial statements.

ARBAH SAUDI EQUITY FUND
(FORMERLY KNOWN AS ARBAH SAUDI QATARI STOCK FUND)
An open-ended mutual fund
(MANAGED BY ARBAH CAPITAL COMPANY)
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2018
(Expressed in Saudi Arabian Riyals)

	For the six-month period ended 30 June 2018 (Unaudited)	For the period from 11 January 2017 to 30 June 2017 (Unaudited)
Cash flows from operating activities:		
Net profit / (loss) for the period	**515,183**	(594,922)
Adjustments for:		
Dividend income	**(116,619)**	(96,876)
Net gain from investments at fair value through profit or loss	**(546,070)**	-
Net loss from investments held for trading	**-**	504,789
	(147,506)	(187,009)
Net changes in operating assets and liabilities:		
Purchase of investments at FVTPL	**(52,672,844)**	-
Proceeds from sale of investments at FVTPL	**50,004,488**	-
Purchase of investments held for trading	**-**	(36,327,772)
Proceeds from investments held for trading	**-**	30,623,603
Accrued expenses and other current liabilities	**49,528**	50,421
Prepaid expenses	**(17,447)**	(15,018)
Dividend received	**109,075**	38,042
Net cash used in operating activities	**(2,674,706)**	(5,817,733)
Cash flows from financing activities:		
Proceeds from issuance of units	**5,226,520**	11,248,069
Payments on redemption of units	**(780,948)**	(1,535,708)
Net cash generated from financing activities	**4,445,572**	9,712,361
Net increase in cash and cash equivalents	**1,770,866**	3,894,628
Cash and cash equivalents at beginning of the period	**501,987**	-
Cash and cash equivalents at end of the period	**2,272,853**	3,894,628

The accompanying notes (1) to (15) from an integral part of these condensed interim financial statements.

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

(a) Arbah Saudi Equity Fund (formerly known as "Arbah Saudi Qatari Stock Fund") (the "Fund") is a Sharia-compliant open-ended mutual investment fund established and managed through a contractual agreement between Arbah Capital Company (the "Fund Manager") and the Fund Investors (the "Unitholders"), under the Investment Fund Regulations ("the Regulations") issued by the Board of the Capital Market Authority ("CMA"). The terms and conditions of the Fund were approved by CMA on 24 Ramadan 1437H (corresponding to 29 June 2016G). The Fund commenced its operations on 12 Rabi Al Thani 1438H (corresponding to 11 January 2017G).

The Fund was initially established with the objective of achieving return through capital growth over medium to long term by investing mainly in the shares of Saudi and Qatari investments listed on Tadawul and Qatari Stock Exchange markets and by investing in shares during the Initial Public Offering (IPO) and rights issue shares in Saudi listed companies.

In accordance with the Article No 58 issued by CMA and notification letter No. (3/2018/8S) dated 9 January 2018G, the Fund changed its name from "Arbah Saudi Qatari Equity Fund" to "Arbah Saudi Equity Fund" and changed the Fund's strategy to invest mainly in Saudi stock market; and updated the terms & conditions of the Fund accordingly.

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

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

(c) The Fund Manager is responsible for the management of the Fund. The Fund Manager charges every subscriber with 2% maximum subscription fees of the subscribed amount. Such fees are not included in these condensed interim financial statements. Moreover, the Fund compensates the Fund manager with management fee at 1.75% and custodian fee (for the period till 29 March 2018) at 0.25% calculated at each evaluation day based on the Net Assets Value (NAV).

(d) The Fund Manager has signed an agreement on 9 Rajab 1439H (corresponding to March 26, 2018G) to appoint Alinma Investment Company ("the Custodian") as an independent custodian of the Fund's assets. However, the Fund Manager is in process of transferring the custody of the Fund's assets to the Custodian. The Custodian is entitled for 0.03% or SR 40,000 minimum of custodian fee and 0.1% or SR 250,000 maximum trading fees. These fees are calculated and accrued at each valuation day based on the Net Assets Value of the Fund and are paid on a monthly basis. The terms and conditions of the Fund has been updated accordingly.

2. BASIS OF PREPARATION

a) Basis of accounting

These condensed interim financial statements of the Fund have been prepared in accordance with International Accounting Standards (IAS) 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

These are the first International Financial Reporting Standards ("IFRS") condensed interim financial statements for part of the period covered by the first IFRS annual financial statements of the Fund and IFRS 1 'First time adoption of IFRS' as endorsed in Kingdom of Saudi Arabia, has been applied with 11 January 2017 (date of incorporation of the Fund) as date of transition and initial application of IFRS.

2. BASIS OF PREPARATION (CONTINUED)

a) Basis of accounting (Continued)

The Fund has adopted IFRS 9 '*Financial Instruments*' and IFRS 15 '*Revenue from Contracts with Customers*' from 1 January 2018 and accounting policies for these new standards are disclosed in the Note 3 and 4. Significant judgments and estimates relating to impairment are disclosed in the financial risk management note considering IFRS 9 first time adoption.

The condensed interim financial statements do not include all of the information required for full annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since the last annual audited financial statements for the year ended 31 December 2017.

An explanation of how the transition to IFRS as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA has affected the reported financial position, financial performance and cash flows of the Fund is provided in Note 6.

b) Basis of measurement

These condensed interim financial statements have been prepared on a historical cost convention, except for the investments which are carried at fair value.

c) Use of judgments and estimates

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

Effective from 1 January 2018 the Fund has adopted two new accounting standards as endorsed in the Kingdom of Saudi Arabia, the impact of the adoption of these standards is explained below:

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and is effective for periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes previously issued revenue guidance, which was found across several Standards and Interpretations within IFRS. The main revenue of the Fund is dividend and realized and unrealized gain on investments at FVTPL, therefore the impact of IFRS 15 is not material to the Fund.

IFRS 9 – Financial Instruments
The Fund has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarized below:

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

IFRS 9 – Financial Instruments (continued)

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). This classification is generally based, except equity instruments and derivatives, on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Fund classifies financial assets under IFRS 9, see respective section of significant accounting policies.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' model (ECL). IFRS 9 requires the Fund to record an allowance for ECL for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECL over the life of the asset.

Under IFRS 9, credit losses are recognized earlier than under previous accounting standard. For an explanation of how the Fund applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Any difference in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

i. The determination of the business model within which a financial asset is held.
ii. The designation and revocation of previous designated financial assets and financial liabilities as measured at FVTPL.
iii. The designation of certain investments in equity instruments not held for trading as FVOCI. For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the issuer‘s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with previous accounting standard and the new measurement categories under IFRS 9 for the Fund's financial instruments as at 1 January 2018.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

IFRS 9 – Financial Instruments (continued)

Transition (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Financial instruments	Original classification	New Classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Investment in equity securities	Held for Trading	FVTPL	5,027,185	5,027,185
Dividends receivables	Loans and Receivables measured at amortized cost	Amortized cost	9,368	9,368
Cash and cash equivalents	Loans and Receivables measured at amortized cost	Amortized cost	501,987	501,987
Accrued expenses	Financial liabilities at amortized cost	Amortized cost	23,039	23,039

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Where policies are applicable only after or before 1 January 2018, those policies have been particularly specified.

a) Foreign currency translation

Transactions in foreign currencies are translated into SAR at the exchange rate at the dates of the transactions.

Foreign exchange gains and losses arising from translation are included in the statement of profit or loss.

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

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

b) Functional currency

These condensed interim financial statements are presented in Saudi Arabian Riyals (“SAR”), which is also the Fund’s functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Dividend income

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

d) Zakat and income tax

Zakat and income tax are the obligations of the Unitholders and are not provided for in these financial statements.

e) Provisions

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

f) Management and custodian fee

Management fee of and custodian fee of are recognized in the statement of profit or loss on the annual Net Asset Value (NAV) of the Fund, calculated at each evaluation day as specified in the terms and conditions of the Fund.

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances, short-term deposits, demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

h) Financial instruments

Policy applicable before 1 January 2018

Investments held for trading

Investment securities purchased for trading are initially recognized at cost on the trade date and are subsequently measured at their market values. The unrealized gains and losses from revaluation of investments held for trading and realized gains and losses from sale of investments held for trading are recognized in the statement of income.

Financial liabilities

The Fund classifies its financial liabilities at amortised cost and initially recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortized cost using the effective yield method.

Applicable after 1 January 2018

Classification of financial assets
On initial recognition, a financial asset is classified and measured at amortized cost, FVOCI or FVTPL.

i) Financial assets at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Classification of financial assets (continued)

i) Financial assets at amortized cost (continued)

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The financial instruments not measured at fair value are short-term financial assets and financial liabilities whose carrying amounts are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand, deposits with banks and other short term investments in an active market with original maturities of three months or less.

The Fund Manager classify cash and cash equivalents, dividend receivable and other receivables as financial assets at amortized cost.

ii) Financial assets at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and profit on the principle amount outstanding.

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

The Fund does not have any financial assets that are designated at fair value through other comprehensive income (FVOCI).

iii) Financial assets at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. Investments in equity and debt securities are classified under this category.

Business model assessment

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Business model assessment (continued)

- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

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

Classification of financial liabilities

Financial liabilities includes management fee payable, accrued expenses and redemption payables and are classified as financial liabilities at amortized cost.

Initial recognition and measurement

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

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

Net gain from financial assets at FVTPL includes all realized and unrealized fair value changes and foreign exchange differences, but excludes commission and dividend income. Net realized gain from financial assets at FVTPL is calculated using the average cost method.

Financial assets and liabilities at amortized cost are initially measured at fair value including direct and incremental transaction costs and subsequently measured at amortized cost. The amortized cost is the amount at which the financial asset or financial liability is measured on initial recognition, minus principle repayments, plus or minus the cumulative amortization using the effective profit method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Fair value measurement (continued)

When available, the Fund measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

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

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

Derecognition

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

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss. Any profit in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

6. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with generally accepted accounting standards as issued by Saudi Organization for Certified Public Accountants ("SOCPA"). These condensed interim financial statements for the six-months period ended 30 June 2018 are the first financial statements of the Fund prepared in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia. In preparing its opening IFRS statement of financial position i.e. on 11 January 2017, the Fund has considered adjustments required however, the numbers reported previously in financial statements prepared in accordance with SOCPA do not need any adjustment and hence considered as it is in opening IFRS statement of financial position.

7. CASH AND CASH EQUIVALENTS

	30 June 2018 (Unaudited)	31 December 2017 (Audited)	11 January 2017 (Unaudited)
Bank balance	**2,272,853**	501,987	5,000,000
	2,272,853	501,987	5,000,000

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

	For the six-month period ended 30 June 2018 (Unaudited)	For the period from 11 January 2017 to 30 June 2017 (Unaudited)
Realized gain from investments at fair value through profit or loss	**290,050**	-
Unrealized gain from investments at fair value through profit or loss	**256,020**	-
	546,070	-

9. NET LOSS FROM INVESTMENTS HELD FOR TRADING

	For the six-month period ended 30 June 2018 (Unaudited)	For the period from 11 January 2017 to 30 June 2017 (Unaudited)
Realized loss from investments held for trading	**-**	(587,819)
Unrealized gain from investments held for trading	**-**	83,030
	-	(504,789)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The related parties of the Fund include the Fund Manager, the Fund Board and other funds being managed by the Fund Manager. The Fund transacts with the Fund Manager on the agreed terms and conditions.

a) Management fee and other expenses

The Fund is managed and administered by the Fund Manager. The Fund Manager charges the Fund a management fee at 1.75% and custodian fees at 0.25% (note 1c) of the annual net asset value of the fund at each evaluation day.

In addition, the Fund Manager has also the right to collectively charge the Fund, all other expenses related to the management of the Fund, including but not limited to audit fees, custody, fund administration fees etc. subject to the limits set out in the Fund's terms and conditions.

b) Transactions with related parties

Related party transactions, approved by the Fund Board for the period are as follows:

Related party	Nature of relationship	Nature of transaction	30 June 2018 (Unaudited)	30 June 2017 (Unaudited)
Arbah Capital Company	Fund Manager and a unitholder	Management and custodian fees	**74,986**	90,190
		Subscriptions of units	-	5,000,000
		Redemptions of units	-	1,000,000
Fund Board	Key management personnel	Board compensation	**20,000**	20,000

c) Amounts due to related parties

As at 30 June 2018, accrued expenses include management and custodian fees amounted to SR 11,950 (31 December 2017: SR 10,852)

d) As at 30 June 2018, the Fund Manager owns 360,000 units amounting to SR 3,601,368 (31 December 2017: 360,000 units amounting to SR 3,367,188).

11. FINANCIAL RISK MANAGEMENT

Risk management

Risk management is an integral part of the investment and the operational process. Risk management can be distinguished in financial risk management, operational risk management and independent risk measurement. Financial risk management encompasses all elements of the investment process. A number of risk management systems allow Fund to notice any deviations from intended positioning and targets. Operational risk management encompasses the four areas of potential losses: processes, systems, people and external events. Risk measurement is an independent function, which is functionally separated from the operational department and portfolio management.

The risk management department of the Fund Manager is primarily responsible for identifying and controlling risks. The Board of Directors supervises the Fund Manager and is ultimately responsible for the overall risk management of the Fund. The Fund has exposure to the following risks from financial instruments:

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

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

Financial instruments and associated risks

The Fund primarily aims to invest in a diversified portfolio consisting of listed equities in Tadawul. The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Fund are discussed below. The Fund's Terms & Conditions details its investment policies and guidelines that encompass its overall investment strategy, its tolerance for risk and its general risk management philosophy.

The Portfolio Management Team has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the portfolio management team on a regular basis. In instances where the portfolio has diverged from target asset allocations, the Portfolio Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

a) Market risk

'Market Risk' is the risk that changes in market prices – such as profit rates, foreign exchange rates, equity prices and credit spreads – 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 by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a daily basis by the portfolio manager.

i) Foreign exchange risk / currency risk

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The Fund is currently not exposed to any significant foreign exchange risk / currency risk as all the investments are made in SAR.

ii) Commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors positions regularly to ensure maintenance of positions within established gap limits. The Fund is not subject to commission rate risk on its investments.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Financial instruments and associated risks (continued)

a) Market risk (continued)

iii) Equity Risk

Equity risk is the risk that the Fund is exposed to the volatility of the fair value of the equity securities it holds. The fair value of individual securities may fluctuate as a result of e.g. company specific news, broad market movements, profit rate risk or foreign currency movements. The Fund Manager continuously monitors the (potential) determinants of the value of the securities held and the total portfolio value. As such, risk management is an integral part of investment management which comprises security selection and portfolio construction. The exposures in various stocks, and economic sectors and country are frequently monitored, measured and managed against the norms which have been defined for those exposures.

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Fund's terms and conditions. A summary analysis of investments by nature and geography is presented under this note.

The majority of the Fund's equity investments are publicly traded and overall market position is monitored on a daily basis by Fund's Investment Manager and it is reviewed on quarterly basis by the portfolio management team. The Fund's policy is to manage price risk through diversification and selection of securities.

Exposure
The Fund Manager monitors the concentration of risk for equity investments based on counterparties and industries. The Fund manages its exposure to price risk by analyzing the investment portfolio by economic sector. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant economic sector concentrations within the equity portfolio.

	30 June 2018		
Industry	**Cost**	**Fair value**	**% of net assets to total equity investment**
Basic materials	**5,995,478**	**6,238,241**	**75.68%**
Public facility	**927,635**	**916,080**	**11.12%**
Banks	**526,118**	**543,690**	**6.60%**
Basic consumer goods	**536,360**	**543,600**	**6.60%**
	7,985,591	**8,241,611**	**100.00%**

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Financial instruments and associated risks (continued)

a) Market risk (continued)

iii) *Equity Risk (continued)*

	31 December 2017		
Industry	Cost	Fair value	% of net assets to total equity investment
Basic materials	1,100,548	1,098,095	21.84%
Public facility	248,232	231,440	4.60%
Banks	136,770	146,850	2.92%
Basic consumer goods	1,042,344	935,072	18.60%
Healthcare	693,890	747,750	14.87%
Retailing of luxury goods	673,844	598,050	11.90%
Transportation	589,660	564,900	11.24%
Consumer services	239,489	255,727	5.09%
Current real estate funds	136,322	138,600	2.76%
Insurance	137,362	137,000	2.73%
Management and development of real estate	138,895	136,296	2.71%
Capital goods	38,009	37,405	0.74%
	5,175,365	5,027,185	100.00%

The Fund Manager monitor and manages the price risk on a regular basis.

The table below sets out the effect on net assets attributable to the Unitholders of a reasonably possible weakening in the individual equity market prices of 1% at 30 June 2018. The estimates are made on an individual investment basis. The analysis assumes that all other variables, remain constant:

	30 June 2018		**31 December 2017**	
	%	SAR	%	SAR
Effect on net assets	**1%**	**(82,416)**	1%	**(50,272)**

A strengthening in the individual equity market prices of 1% at 30 June 2018 would have resulted in an equal but opposite effect to the amounts shown above.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Financial instruments and associated risks (continued)

b) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally form securities held, cash and cash equivalents.

Funds credit risk is monitored on a regular basis by the Fund's portfolio management team. If the credit risk is not in accordance with the investment policies or guidelines of the Fund, then the portfolio manager is obliged to rebalance the portfolio immediately after the determination that the portfolio is not in compliance with the stated investment parameters.

The Fund's activities may give rise to settlement risk. "Settlement risk" as the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Saudi business day and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

The Fund's investments in listed securities are considered to be readily realizable because they are actively traded on Tadawul.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within short period of time.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Financial instruments and associated risks (continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team.

12. FAIR VALUE MEASUREMENT

Valuation models

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

12. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation models (continued)

The Fund values equity securities that are traded on an approved stock exchange at their last reported prices. To the extent that equity securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy, hence the Fund's assets recorded at fair value have been categorized based on fair value hierarchy Level 1

Listed equity securities are valued using quoted prices in an active market for an identical instrument (Level 1 measurement).

Carrying amounts and fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The following table shows the carrying amounts and fair values of financial instruments and non- financial instruments including their levels in the fair value hierarchy:

	30 June 2018			
Financial assets at fair value	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**
Investments at fair value through profit or loss	**8,241,611**	**8,241,611**	**-**	**-**
Financial assets not measured at fair value				
Cash and cash equivalents	**2,272,853**	**-**	**-**	**2,272,853**
Dividend receivable	**16,912**	**-**	**-**	**16,912**
Total	**10,531,376**	**8,241,611**	**-**	**2,289,765**

	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Financial liabilities not measured at fair value				
Accrued expenses	**72,567**	**-**	**-**	**72,567**
Total	**72,567**	**-**	**-**	**72,567**

12. FAIR VALUE MEASUREMENT (CONTINUED)

Carrying amounts and fair value (continued)

	31 December 2017			
Financial assets at fair value	Carrying Value	Level 1	Level 2	Level 3
Investments at fair value through profit or loss	5,027,185	5,027,185	-	-
Financial assets not measured at fair value				
Cash and cash equivalents	501,987	-	-	501,987
Dividend receivable	9,368	-	-	9,368
Total	5,538,540	5,027,185	-	511,355

	Carrying Value	Level 1	Level 2	Level 3
Financial liabilities not measured at fair value				
Accrued expenses	23,039	-	-	23,039
Total	23,039	-	-	23,039

For assets and liabilities carried at amortized cost, their carrying values are a reasonable approximation of fair value. During the current year, no financial assets / liabilities have been transferred between level 1 and / or level 2 fair value hierarchy.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events subsequent to the statement of financial position date which require adjustments of or disclosure in the condensed interim financial statements or notes thereto.

14. VALUATION DAY

The Fund’s units are valuated twice a week (on Sundays and Tuesdays) and valuations are announced on the following business day.

15. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Fund Manager on 3 Dhul Hajjah 1439H, corresponding to 14 August 2018G.