

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
Financial Statements
For the year ended 31 December 2018
Together with
Independent Auditors' Report to the unitholders

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
Financial statements
For the year ended 31 December 2018

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Independent Auditors' Report

To the Unitholders Arbah IPO Fund

Opinion

We have audited the financial statements of **Arbah IPO Fund (the "Fund")** managed by Arbah Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1(e) of the financial statements which describes that the going concern basis of preparing the financial statements has not been used because the Fund Manager has terminated the Fund's operation from 31 December 2018. Our opinion is not modified in respect of this matter.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and the Information Memorandum and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.



Independent Auditors' Report

To the Unitholders Arbah IPO Fund (Continued)

Auditors' Responsibilities for the Audit of the financial statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

For KPMG Al Fozan & Partners
Certified Public Accountants


Abdulaziz Abdullah Alnaim
License no. 394

Al Khobar, 7 April 2019G
Corresponding to: 2 Sha'ban 1440H

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(Expressed in Saudi Arabian Riyals)

		31 December 2018	31 December 2017	1 January 2017
	<i>Notes</i>			
ASSETS				
Cash and cash equivalents	7	6,436,921	3,906,117	34,300,605
Dividends receivable		54,750	121,875	37,213
Investments	12	-	44,949,879	49,487,231
Other assets		-	11,245	11,163
Total assets		6,491,671	48,989,116	83,836,212
LIABILITIES				
Accrued expenses		106,427	94,900	163,001
Payable to unitholders		6,385,244	-	-
Total liabilities		6,491,671	94,900	163,001
Net assets (equity) attributable to the Unitholders		-	48,894,216	83,673,211
Units in issue (numbers)		-	2,826,674	4,142,202
Net Assets (Equity) Value (NAV) attributable to each unit (SAR)		-	17.30	20.20

These financial statements appearing on pages 1 to 24 were approved by the Board on 2 Sha'ban 1440H, corresponding to 7 April 2019G and have been signed on its behalf by:

Hasan Khalil Al Masri
Board member

Mr. Mahmood Al-Kooheji
CEO

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

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

	<u>Notes</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Dividend income		877,387	1,259,911
Net gain from investments measured at fair value through profit or loss	8	(3,047,435)	-
Net loss from investments at held for trading	9	-	(9,299,400)
		<u>(2,170,048)</u>	<u>(8,039,489)</u>
Management and custodian fees	10	(696,769)	(1,211,769)
Commission expenses		(378,631)	(1,273,882)
Benchmarking indicator fees		(37,532)	(26,205)
Professional fees		(23,100)	(22,000)
Fund board compensation	10	(16,600)	(16,600)
Other general and administrative expenses		(80,445)	(75,000)
Total operating expenses		<u>(1,233,077)</u>	<u>(2,625,456)</u>
Net loss for the year		<u>(3,403,125)</u>	<u>(10,664,945)</u>
Other comprehensive income		-	-
Total comprehensive income		<u>(3,403,125)</u>	<u>(10,664,945)</u>

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

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNITHOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

	For the year ended 31 December 2018	For the year ended 31 December 2017
Net assets (equity) attributable to the Unitholders at the beginning of the period	48,894,216	83,673,211
Total comprehensive income	(3,403,125)	(10,664,945)
Subscriptions and redemptions by the Unitholders:		
Proceeds from subscription of units	-	4,031,305
Paid / Payable against redemption of units	(45,491,091)	(28,145,355)
	(45,491,091)	(24,114,050)
Net assets (equity) attributable to the Unitholders at the end of the year	-	48,894,216
	For the year ended 31 December 2018	For the year ended 31 December 2017
<u>Units transactions (numbers)</u>	<u>Units</u>	<u>Units</u>
Units in issuance at the beginning of the year	2,826,674	4,142,202
Issuance of units during the year	-	210,000
Redemption of units during the year	(2,826,674)	(1,525,528)
	(2,826,674)	(1,315,528)
Units in issuance at the end of the year	-	2,826,674

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

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

	For the year ended 31 December	
	2018	2017
Cash flows from operating activities:		
Net loss for the year	(3,403,125)	(10,664,945)
Adjustments for:		
Dividend income	(877,387)	(1,259,911)
Net gain from investments at fair value through profit or loss	3,047,435	-
Net loss from investments held for trading	-	9,299,400
	<u>(1,233,077)</u>	<u>(2,625,456)</u>
Net changes in operating assets and liabilities:		
Purchase of investments	(105,288,261)	(413,951,459)
Proceeds from sale of investments	147,190,705	409,189,411
Accrued expenses	11,526	(68,101)
Other assets	11,245	(82)
Dividend received	944,512	1,175,249
Net cash generated from / (used in) operating activities	<u>41,636,650</u>	<u>(6,280,438)</u>
Cash flows from financing activities:		
Proceeds from issuance of units	-	4,031,305
Payments on redemption of units	(39,105,846)	(28,145,355)
Net cash used in financing activities	<u>(39,105,846)</u>	<u>(24,114,050)</u>
Net increase / (decrease) in cash and cash equivalents:	2,530,804	(30,394,488)
Cash and cash equivalents at the beginning of the year	<u>3,906,117</u>	<u>34,300,605</u>
Cash and cash equivalents at the end of the year	<u><u>6,436,921</u></u>	<u><u>3,906,117</u></u>

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

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- (a) Arbah IPO 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's 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 11 Jumada Al Thani 1431H (25 May 2010G). The Fund commenced its operations on 28 Rabie Al Thani 1432H (corresponding to 2 April 2011G).

The objective of the Fund is to achieve return through capital growth over medium to long term by investing mainly in the shares of public companies during the Initial Public Offering (IPO) and rights issue shares in companies listed for not more than five years in the Kingdom of Saudi Arabia. The Fund also seeks to invest in other funds with the same objectives and strategies, whenever possible. The Fund is open ended and it does not distribute dividend to the Unitholders and reinvests all profits realized in the Fund on its strategy in a way that reflects on the Fund’s unit price.

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 annual 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 valuation day based on the Net Assets (Equity) Value (NAV). The Fund Manager may also charge all other general and administrative expenses relating to the management of the Fund with maximum of SAR 75,000 per financial year excluding external auditor’s fees, board remuneration and benchmarking indicator fees.
- (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. The Fund Manager has transferred the custody of the Fund’s assets to the Custodian in the month of September 2018. The Custodian is entitled for 0.1% or SR 40,000 minimum of custodian fee and 0.01% or SR 250,000 maximum trading fees. These fees are calculated and accrued at each valuation day based on the Net Assets (Equity) Value of the Fund and are paid on a monthly basis. The terms and conditions of the Fund has been updated accordingly.
- (e) The Fund became inactive effective 31 December 2018, as a result of all Unitholders being redeemed out of the Fund. The Fund manager has liquidated the operations of the fund on 31 December 2018 as per the CMA approval and all the assets and liabilities of the fund have been stated at their net realisable value. Accordingly, these financial statements are prepared on a non-going concern basis and are the last financial statements of the Fund.

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION

a) Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by Capital Market Authority, the Fund’s Terms and Conditions and the Information Memorandum.

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 as issued by Saudi Organization of Certified Public Accountants (“SOCPA”). The financial statements for the year ended 31 December 2018 are the first financial statements of the Fund prepared in accordance with IFRS and IFRS 1 “First-time Adoption of International Financial Reporting Standards” has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 3.

b) Basis of measurement

These financial statements have been prepared on non-going concern basis.

Fund has categorized its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

c) Use of judgments and estimates

In preparing these 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 recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities is included in note 13.

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
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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:

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.

- 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.

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

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

IFRS 9 – Financial Instruments (continued)

Transition (continued)

- 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.

Financial instruments	Under Pre – Convergence GAAP	New Classification under IFRS 9	Original carrying value under IAS 39	New carrying value under IFRS 9
Investments	Held for trading	FVTPL	44,949,879	44,949,879
Dividends receivables	Amortized cost	Amortized cost	121,875	121,875
Cash and cash equivalents	Amortized cost	Amortized cost	3,906,117	3,906,117
Accrued Expense	Financial liabilities at amortized cost	Amortized cost	94,900	94,900

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual 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.

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(MANAGED BY ARBAH CAPITAL COMPANY)
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(Expressed in Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) *Functional currency*

These annual 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.

c) *Revenue Recognition*

Dividend income

Dividend income is recognised in the statement of comprehensive income 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 is recognised in statement of comprehensive income in a separate line item.

Net gain from financial instruments at FVTPL

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes interest and dividend income, and dividend expense on securities sold short.

Net realised gain from financial instruments at FVTPL is calculated using the weighted average cost method.

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 and custodian fee are recognized in the statement of profit or loss on the annual Net Asset Value (Equity) (NAV) of the Fund, calculated at each valuation 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.

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NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments

Policy applicable before 1 January 2018

The Fund classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or designated as at FVTPL.

Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in comprehensive income.

Derecognition

Financial assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, 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 it does not retain control of the financial asset.

The Fund enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

ARBAH IPO FUND
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NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Fund also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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 currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Policy applicable from 1 January 2018

Classification of financial assets

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

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:

- 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.

ARBAH IPO FUND
(MANAGED BY ARBAH CAPITAL COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

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;
- 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 other current liabilities, redemption payable and distribution payable 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 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.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial instruments (continued)

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.

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.

i) 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

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Fair value measurement

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.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the period beginning on or after 1 January 2019 and earlier application is permitted; however, the Fund has not early applied these new amendments and standards in preparing these financial statements as these do not have material impact on the Fund's financial statements.

The following new or amended standards are not expected to have a significant impact on the Fund's financial statements:

- IFRS 16 Leases
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- IFRIC 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

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 previously generally accepted accounting standards as issued by Saudi Organization for Certified Public Accountants (“SOCPA”). These annual financial statements for the year ended 31 December 2018 are the first financial statements of the Fund prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia. In preparing its opening IFRS statement of financial position i.e. on 1 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

	31 December 2018	31 December 2017	1 January 2017
Bank balance	6,436,921	3,906,117	34,300,605
	6,436,921	3,906,117	34,300,605

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

	31 December 2018	31 December 2017
Realized gain from investments at fair value through profit or loss	(3,047,435)	-
	(3,047,435)	-

9. NET LOSS FROM INVESTMENTS HELD FOR TRADING

	31 December 2018	31 December 2017
Realized loss from investments held for trading	-	(7,611,040)
Unrealized loss from investments held for trading	-	(1,688,360)
	-	(9,299,400)

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 0.25% (note 1c) custodian fees based on the annual net asset (equity) value of the fund calculated at each valuation day (up to March 2018).

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	31 December 2018	31 December 2017
Arbah Capital Company	Fund Manager and a unitholder	Management and custodian fees	633,590	1,211,769
		Subscription for units	-	4,031,305
		Redemption of units	32,018,652	6,078,923
		Brokerage		
		Commission	253,566	862,952
Arbah Saudi Equity Fund	Fund managed by Fund Manager	Purchase of units	1,949,942	-
		Redemption of units	1,780,933	-

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10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Transactions with related parties (continued)

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

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Arbah GCC Fund	Fund managed by Fund Manager	Purchase of units	2,527,000	
		Redemption of units	2,550,648	
Fund board	Key management personnel	Board compensation	16,600	16,600

c) Amounts due to related parties

As at 31 December 2018, accrued expenses include management fees amounted to SR 36,976 (31 December 2017: SR 83,900) and Sharia committee fees amounted to SR 21,000.

Payable to Arbah Capital for Redemption of units (SR 1,153,417)

11. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	<u>Receivable against issuance of units</u>	<u>Payable against redemption of units</u>	<u>Total</u>
Opening Balance	-	-	-
Receivable against issuance of units	-	-	-
Payable against redemption of units	-	(45,491,090)	(45,591,090)
		(45,491,090)	(45,591,090)
Amount received on issuance of units	-	-	-
Amount paid on redemption of units	-	39,105,846	39,105,846
	-	39,105,846	39,105,846
Closing Balance	-	6,385,244	6,385,244

12. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classifications of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2018</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<u>ASSETS</u>		
Cash and cash equivalents	6,436,921	-
Dividends receivable	54,750	-
Total Assets	6,491,671	-
<u>LIABILITIES</u>		
Accrued expenses	106,427	-
Payable to unitholders	6,385,244	-
Total Liabilities	6,491,671	-

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12. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES
(CONTINUED)

<u>31 December 2017</u>	<u>Amortized cost</u>	<u>Held for Trading</u>
<u>ASSETS</u>		
Cash and cash equivalents	3,906,117	-
Investments	-	44,949,879
Dividends receivable	11,245	-
Total Assets	<u>3,917,362</u>	<u>44,949,879</u>
<u>LIABILITIES</u>		
Accrued expenses	94,900	-
Total Liabilities	<u>94,900</u>	<u>-</u>
	<u>Amortized cost</u>	<u>FVTPL</u>
<u>11 January 2017</u>		
<u>ASSETS</u>		
Cash and cash equivalents	34,300,605	-
Dividend receivable	37,213	-
Investments	-	49,487,231
	<u>34,337,818</u>	<u>49,487,231</u>

13. 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 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

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Fund primarily aims investing mainly in the shares of public companies during the Initial Public Offering (IPO) and rights issue shares in companies listed for not more than five years in the Kingdom of Saudi Arabia. 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.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) *Price risk*

Price risk is the risk that the Fund is exposed to the volatility of the fair value of the securities it holds. The fair value of individual securities may fluctuate as a result of fund 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 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 is presented in under this note.

The majority of the Fund's 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 investment portfolio.

There is no investments as at 31 December 2018, therefore no disclosure for the exposure in different sector for 2018.

Industry	31 December 2017		% of fair value to total equity investment
	Cost	Fair value	
Commercial and professional service	6,642,094	5,741,586	12.77%
Capital goods	4,292,620	4,317,928	9.61%
Basic materials	7,883,399	7,751,443	17.24%
Transportations	2,994,555	2,948,250	6.56%
Health care	16,950,449	16,431,070	36.55%
Insurance	4,576,688	4,479,900	9.97%
Consumer services	2,067,945	2,011,420	4.47%
Real estate	809,060	830,201	1.86%
Consumer goods	421,428	438,080	0.97%
	46,638,238	44,949,878	100.00%

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

The table below sets out the effect on net assets (equity) attributable to the Unitholders of a reasonably possible weakening in the individual equity market prices of 1% at 31 December 2018. The estimates are made on an individual investment basis. The analysis assumes that all other variables, remain constant:

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) *Equity risk*

	31 December 2018		31 December 2017		1 January 2017	
	%	SAR	%	SAR	%	SAR
Effect on net assets	-	-	1%	(449,499)	1%	(494,872)

A strengthening in the individual equity market prices of 1% at 31 December 2018 would have resulted in an equal but opposite effect to the amounts shown above.

(b) **Credit risk**

Credit risk is the risk that a 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.

The Fund is exposed to credit risk on its bank balance and balance held in trading account. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, country risk and sector risk.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is 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 all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	31	31 December	1 January
	December	2017	2017
	2018		
Cash and cash equivalents	6,436,921	3,906,117	34,300,605
Dividends receivable	54,750	121,875	37,213
Total exposure to credit risk	6,491,671	4,027,992	34,337,818

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 counterparties.

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Analysis of Credit quality

The Fund's cash and cash equivalents are held with Arab national Bank, which is rated 'A' (2017: 'A').

Allowance for impairment

The Fund does not have any impairment of assets, so no impairment allowance is provided in these financial statements.

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 the 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.

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.

13. 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.

13. FAIR VALUE MEASUREMENT (CONTINUED)

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment 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.

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 equity securities recorded at fair value have been categorized based on fair value hierarchy Level 1.

Listed equity securities and mutual funds 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:

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13. FAIR VALUE MEASUREMENT (CONTINUED)

	31 December 2018			
	<u>Carrying Value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial assets not measured at fair value</u>				
Cash and cash equivalent	6,436,921	-	-	6,436,921
Dividend receivable	54,750	-	-	54,750
Total	6,491,671	-	-	6,491,671

	<u>Carrying Value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Financial liabilities not measured at fair value</u>			
Accrued expenses	106,427	-	-	106,427
Payable to unitholders	6,385,244	-	-	6,385,244
Total	6,491,671	-	-	6,491,671

	31 December 2017			
	<u>Carrying Value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial assets at fair value</u>				
Investments held for trading	44,949,878	44,949,878	-	-
<u>Financial assets not measured at fair value</u>				
Cash and cash equivalent	3,906,117	-	-	3,906,117
Dividend receivable	121,875	-	-	121,875
Total	48,977,870	44,949,878	-	4,027,992

Carrying amounts and fair value

	31 December 2017			
	<u>Carrying Value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial liabilities not measured at fair value</u>				
Accrued expenses	94,900	-	-	94,900
Total	94,900	-	-	94,900

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13. FAIR VALUE MEASUREMENT (CONTINUED)

	1 January 2017			
	<u>Carrying Value</u>	<u>Level 1</u>	<u>Fair value Level 2</u>	<u>Level 3</u>
<u>Financial assets at fair value</u>				
Investments held for trading	49,487,231	49,487,231	-	-
<u>Financial assets not measured at fair value</u>				
Cash and cash equivalent	34,300,605	-	-	34,300,605
Dividend receivable	37,213	-	-	37,213
Total	<u>83,825,049</u>	<u>49,487,231</u>	-	<u>34,337,018</u>
	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Financial liabilities not measured at fair value</u>				
Accrued expenses	163,001	-	-	163,001
Total	<u>163,001</u>	-	-	<u>163,001</u>

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.

14. 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 financial statements or notes thereto.

15. LAST VALUATION DAY

The Fund units are valued twice a week (on Sundays and Tuesdays) and valuations are announced on the following business day. Last valuation date is 31 December 2018.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These annual financial statements were authorized for issue by the Fund Board on 2 Shaba'an 1440H corresponding to 7 April 2019.