HSBC US DOLLAR MURABAHA FUND
(Managed by HSBC Saudi Arabia)
FINANCIAL STATEMENTS
For the year ended 31 December 2018
together with the
INDEPENDENT AUDITORS' REPORT

KPMG

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

Independent auditors' report

To the unitholders of HSBC US Dollar Murabaha Fund

Opinion

We have audited the financial statements of **HSBC US Dollar Murabaha Fund** ("the Fund"), managed by HSBC Saudi Arabia ("the Fund Manager"), which comprise of 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 the International Financial Reporting Standards ("IFRS") as 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 the International Standards on Auditing ("ISA") 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.

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, and compliance with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority, 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.

Independent auditors' report

To the unitholders of HSBC US Dollar Murabaha 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 auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 ISA 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 the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 **HSBC US Dollar Murabaha Fund** ("the Fund").

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamad Al Fozan
License No. 348

28 Rajab 1440H
Corresponding to: 4 April 2019

C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

HSBC US DOLLAR MURABAHA FUND
(An open-ended mutual fund)
Statement of financial position
As at 31 December 2018
(Amounts in US Dollar)

	Note	***31 December 2018***	*31 December 2017*	*1 January 2017*
ASSETS				
Cash in bank	*10*	**211,317**	1,051,175	758,264
Investments measured at amortised cost	*11*	**17,267,083**	15,534,980	11,450,000
Investments at fair value through profit or loss	*12*	**867,788**	--	--
Available for sale investments		--	801,608	--
Held to maturity investments		--	--	1,001,365
Other receivables		**74,727**	41,447	35,244
TOTAL ASSETS		**18,420,915**	17,429,210	13,244,873
LIABILITIES				
Accrued expenses	*13*	**6,635**	1,003	407
TOTAL LIABILITIES		**6,635**	1,003	407
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		**18,414,280**	17,428,207	13,244,466
Units in issue (numbers)		**1,253,817**	1,206,609	922,801
Net asset (equity) value per unit - IFRS	*18*	**14.69**	14.44	14.35
Net asset (equity) value per unit - Dealing	*18*	**14.69**	14.44	14.35

The accompanying notes 1 to 22 form an integral part of the financial statements.

The financial statements and accompanying disclosures in the report are approved on behalf of the Fund Board based on the authorization issued on 28 Rajab 1440H (corresponding to 4 April 2019) by:

Waleed H AlRashed
General Manager Asset Management

Chistie K Moinuddin
Chief Financial Officer

HSBC US DOLLAR MURABAHA FUND
(An open-ended mutual fund)
Statement of comprehensive income
For the year ended 31 December
(Amounts in US Dollar)

	Note	**2018**	2017
INVESTMENT INCOME			
Special commission income on investments		**343,475**	160,307
Gain on investments at fair value through profit or loss		**16,361**	--
TOTAL INCOME		**359,836**	160,307
EXPENSES			
Management fees	*14*	**64,185**	54,766
Allowance for expected credit losses	*10*	**943**	--
Exchange loss		**182**	--
Amortization of premium		--	4,157
TOTAL EXPENSES		**65,310**	58,923
NET INCOME FOR THE YEAR		**294,526**	101,384
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**294,526**	101,384

The accompanying notes 1 to 22 form an integral part of the financial statements.

The financial statements and accompanying disclosures in the report are approved on behalf of the Fund Board based on the authorization issued on 28 Rajab 1440H (corresponding to 4 April 2019) by:

Waleed H AlRashed
General Manager Asset Management

Chistie K Moinuddin
Chief Financial Officer

HSBC US DOLLAR MURABAHA FUND
(An open-ended mutual fund)
Statement of changes in net asset (equity) attributable to the unitholders
For the year ended 31 December
(Amounts in US Dollar)

	2018	2017
Net assets (equity) attributable to the unitholders as at the beginning of the year (as reported previously)	**17,428,207**	13,244,466
Impact of adoption of IFRS 9 at 1 January 2018 (note 20)	**(1,974)**	--
Net assets (equity) attributable to the unitholders as at the beginning of the year (restated)	**17,426,233**	13,244,466
Net income for the year	**294,526**	101,384
Contributions and redemptions by the unitholders:		
Proceeds from issuance of units	**3,605,273**	4,696,190
Payments for redemption of units	**(2,911,752)**	(613,833)
Net change from unit transactions	**693,521**	4,082,357
Net assets (equity) attributable to the unitholders as at 31 December	**18,414,280**	17,428,207

UNIT TRANSACTIONS

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

	2018	2017
	(In numbers)	
Units as at the beginning of the year	**1,206,609**	922,801
Units issued during the year	**246,974**	326,475
Units redeemed during the year	**(199,766)**	(42,667)
Net increase in units	**47,208**	283,808
Units as at end of the year	**1,253,817**	1,206,609

The accompanying notes 1 to 22 form an integral part of the financial statements.

HSBC US DOLLAR MURABAHA FUND
(An open-ended mutual fund)
Statement of cash flows
For the year ended 31 December 2018
(Amounts in US Dollar)

	Note	**2018**	2017
Cash flow from operating activities			
Net income for the year		**294,526**	101,384
Adjustment for:			
Unrealized gains on investments at fair value through profit or loss		**(20,761)**	--
Allowance for expected credit loss		**943**	--
Amortization of premium		**--**	4,157
		274,708	105,541
Net changes in operating assets and liability			
Increase in investments measured at amortised cost		**(450,000)**	1,530,000
Increase in investments at fair value through profit or loss		**(847,027)**	--
Decrease in available for sale investments		**801,608**	(805,765)
Decrease in held to maturity investments		**--**	1,001,365
Increase in other receivables		**(33,280)**	(6,203)
Increase in accrued expenses		**5,632**	596
Net cash (used in) / generated from operating activities		**(248,359)**	1,825,534
Cash flow from financing activities			
Proceeds from issuance of units		**3,605,273**	4,696,190
Payments for redemption of units		**(2,911,752)**	(613,833)
Net cash generated from financing activities		**693,521**	4,082,357
Increase in cash and cash equivalents		**445,162**	5,907,891
Balance as at the beginning of the year		**16,586,155**	10,678,264
Balance as at the end of the year	*10*	**17,031,317**	16,586,155
Operational cash flows from special commission income			
Special commission income received		**382,975**	119,756

The accompanying notes 1 to 22 form an integral part of the financial statements.

1 GENERAL

HSBC US Dollar Murabaha Fund ("the Fund") is an investment fund established through the agreement between HSBC Saudi Arabia ("the Fund Manager") and the investors ("the Unitholders").

The objective of the Fund is to seek capital appreciation and potential for capital preservation through participation in a professionally managed portfolio of short term US Dollar deposits, placements and monetary instruments. The funds are invested in accordance with Shariah Investment Guidelines as determined by Shariah Supervisory Committee.

The Fund is managed by the Fund Manager who also acts the administrator of the Fund. Albilad Capital is acting as the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the Capital Market Authority ("the CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia. The Regulations were further amended on 16 Sha'aban 1437H (corresponding to 23 May 2016) ("the Amended Regulations"). The Fund Manager believes that the Amended Regulations was effective since 6 Safar 1438H (corresponding to 6 November 2016).

During the year ended 31 December 2018, the Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The main change in the Terms and Conditions relates to the change in the custodianship. The Fund updated its terms and conditions which were approved by the CMA on 20 Muharram 1440H (corresponding to 30 September 2018).

3 SUBSCRIPTION/REDEMPTION (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions/ redemptions of units on each business day being a ("Dealing Day") of the Saudi Stock Exchange Market. The value of the Fund's portfolio is determined on each business day ("Valuation Day"). The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net value of assets (fair value of fund assets minus fund liabilities) by the total number of outstanding fund units on the relevant Valuation Day.

4 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 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 the Capital Market Authority, the Fund's Terms and Conditions and the Information Memorandum.

For all years up to and including the year ended 31 December 2017, the Fund prepared its financial statements in accordance with the generally accepted accounting standards 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 IFRS has affected the reported financial position, financial performance and cash flows of the Fund is provided in note 19.

5. FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in US Dollar ("USD"), which is also the Fund's functional currency.

6 BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis, (except for investments at fair value through profit or loss, "FVTPL" which are stated at their fair value) using the accrual basis of accounting. The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Fund Manager is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The financial statement accounts in the statement of financial position have been presented in the order of liquidity.

7 USE OF CRITICAL JUDGEMENTS AND ESTIMATES

Preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Impairment of financial assets

The Fund recognises allowances for expected credit loss (ECL) on the Murabaha placements measured at amortised cost.

The Fund measures loss allowance at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Financial assets on which credit risk has not increased significantly since their initial recognition

The Fund considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade' or certain unrated investment with no default in past. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

8. SIGNIFICANT ACCOUNTING POLICIES

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

8. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Transactions in foreign currencies are translated into US Dollars at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.Monetary assets and liabilities denominated in foreign currencies are retranslated into US Dollars at the exchange rate at the reporting date.

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

Net Asset Value (Equity)

Net assets (equity) value per unit, as disclosed in balance sheet is calculated by dividing the net assets of the Fund by the numbers of units in issue as at the year end.

Subscription and redemption of units

Units subscribed and redeemed are recorded at net asset (equity) value per unit on the Valuation Day for which the subscription request and redemption applications are received.

Cash and cash equivalents

Cash and cash equivalents for the purpose of statement of cash flows comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Trade date accounting

All purchases and sales of financial assets are recognized and derecognized on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Purchases or sales of financial assets require delivery of those assets within the timeframe generally established by regulation or convention in the market place.

Redeemable units

The redeemable units are as equity instruments as they meet certain strict criteria. Those criteria include:

- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

Revenue recognition

Net gain / (loss) from investments at FVTPL

Net gain from investments 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 / (loss) from investments at FVTPL is calculated using the weighted average cost method.

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special commission income

Special commission income is recognized in statement of comprehensive income on accrual basis using the effective interest rate method.

Dividend income

Dividend income is recognised in 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

Management fees

Fund management fees are charged at rates agreed with the Fund Manager. These charges are calculated on each Valuation Day at an annual percentage of the Fund's net assets (equity)value. These expenses are charged to the statement of income.

Zakat and income tax

Under the current system of taxation in Kingdom of Saudi Arabia the Fund is not liable to pay any tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in the accompanying financial statements. The Value Added Tax (VAT) applicable for fees and expenses are recognized in the statement of comprehensive income.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a mid-price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 recognises transfers between levels of the fair value hierarchy as at the end of the reporting year during which the change has occurred.

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities

Policies applicable before 1 January 2018

Available for sale investments

Investments in available for sale securities are measured and carried in the balance sheet at fair value. Any changes in fair value, other than impairment losses, are recognized in the statement of changes in net assets (equity) attributable to unitholders.

Held to maturity investments

Investments that are bought with the intention of being held to maturity are carried at cost (adjusted for any premium or discount on an effective yield basis), less a provision for any permanent diminution in the value of held to maturity investments. Investments transactions are accounted for as at the trade date.

Policies applicable from 1 January 2018

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

Financial assets at FVTPL are initially recognised at fair value, with transaction costs recognised in statement of comprehensive income. Financial assets not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised 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 interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)
All other financial assets are classified as measured at FVTPL.

The Fund classifies financial assets into the following categories.
- Financial assets at FVTPL - Investments in mutual funds and equity investment
- Financial assets at amortised cost - Cash and cash equivalents, Investments in Sukuk / Bond, Money market placements and Murabaha placements, due from brokers and other receivables.

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

Business model assessment
The Fund makes an assessment of 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 commission revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's managers;
- 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 realised.

Financial assets that are held for trading or managed 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.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Special Commission Income' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

The Fund holds a portfolio of long-term investments for which the Fund has no option to propose to revise the interest rate at periodic reset dates. The Fund has determined that the contractual cash flows of these investments are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

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

Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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.
Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Fund of similar transactions such as in the Fund's trading activity.

Expected Credit loss (ECL)

The Fund recognizes loss allowances for ECL on financial assets measured at amortised cost.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'.

Significant increase in credit risk

To determine whether the risk of default on a financial instrument has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and expert credit assessment and including an assessment of the change in probability of default (PD) as at the reporting date with the PD at the time of initial recognition of the exposure.

Definition of default

*The Fund consid*ers a financial asset to be in default when:

- the investee is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the investee is past due more than 30 days on any material credit obligation to the Fund.

(Amounts in US Dollar)

8 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of default (continued)

In assessing whether a investee is in default. The Fund considers indicators that are:
- qualitative- e.g. breaches of covenant;
- quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive); and
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost as a deduction from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

9 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards are effective for the year 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 the financial statements as these do not have material impact on the Fund's financial statements.

10 CASH AND CASH EQUIVALENTS

The following is the breakup of cash and cash equivalent for the purpose of statement of cash flows:

	31 December 2018	31 December 2017	1 January 2017
Cash in bank	**211,317**	1,051,175	758,264
Murabaha placements with original maturity of less than 90 days	**16,820,000**	15,534,980	9,920,000
	17,031,317	16,586,155	10,678,264

(Amounts in US Dollar)

11 INVESTMENTS MEASURED AT AMORTISED COST

	Note	**31 December 2018**	31 December 2017	1 January 2017
Murabaha placements - with original maturity of less than 90 days	*10*	**16,820,000**	15,534,980	9,920,000
Murabaha placements - maturing between 90 and 180 days		**450,000**	--	1,530,000
		17,270,000	15,534,980	11,450,000
Allowance for expected credit losses (ECL)		**(2,917)**	--	--
Total		**17,267,083**	15,534,980	11,450,000

The Fund has made murabaha placements with counterparties that have credit ratings as issued by the rating agencies (as detailed in note 16). The average effective special commission rate on money market placements as at the year-end is 3% p.a. (31 December 2017: 1.27% p.a. and 1 January 2017: 0.86% p.a.).

As at 31 December 2018, an allowance for expected credit loss has been recognised as part of the Fund's adoption of IFRS 9 impairment requirements.

The methodology and assumptions applied by the Fund in estimating the ECL on the murabaha placements are based on using the Moody's rating scales which are then adjusted for country specific data, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting year.

The movement in the allowance for expected credit losses for murabaha placements is summarized as follows:

	31 December 2018	*31 December 2017*	*1 January 2017*
Balance at the beginning of the year	--	--	--
ECL recognition on 1 January 2018	**1,974**	--	--
Charge for the year	**943**	--	--
Balance at the end of the year	**2,917**	--	--

12 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments comprise the following exposures as at reporting date:

	31 December 2018		31 December 2017		1 January 2017	
	Cost	**Market value**	Cost	Market value	Cost	Market value
Mutual Fund						
HSBC Saudi Riyal Murabaha Fund (ART)	**849,819**	**867,788**	--	--	--	--
Total	**849,819**	**867,788**	--	--	--	--

13 ACCRUED EXPENSES

Accrued expenses include management fee payable (inclusive of VAT) to the Fund Manager.

(Amounts in US Dollar)

14 TRANSACTIONS WITH RELATED PARTIES

Related 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Fund comprise HSBC Saudi Arabia (being the Fund Manager, custodian and administrator of the Fund), the Fund Board and The Saudi British Bank ("SABB") (being significant shareholder of the Fund Manager).

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved terms and conditions of the Fund.

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 0.75% of Net assets value (2017: 0.75% of Net assets value). All Fees and expenses related to the management of the Fund including but not limited to custody, administration, audit, regulatory and index fees, etc., are included in the management fee.

Subscription fee up to 2% is not considered in the financial statement of the Fund, as investment to the Fund are always net of subscription fees.

During the year, the Fund entered into the following transactions with related parties in the ordinary course of business.

Related Party	**Nature of transactions**	**Amount of transactions during the year**		**Closing balance**	
		2018	2017	**2018**	2017
HSBC Saudi Arabia (Fund Manager)	Management fee	**64,185**	54,766	**6,635**	1,003
SABB	Cash & cash equivalent	**--**	--	**20,000**	1,051,175
	Murabaha placements	**--**	--	**--**	3,615,000
	Income on murabaha placements	**10,261**	12,922	**--**	7,741

HSBC Saudi Riyal Murabaha Fund managed by the Fund Manager has subscribed 204,667 units (31 December 2017: Nil units) of the Fund.

No special commission is receivable against the cash balances in the respective bank accounts with the related parties.

(Amounts in US Dollar)

15 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:

31 December 2018	***Amortized cost***	***FVTPL***
Cash and cash equivalents	17,028,400	--
Investments	450,000	867,788
Other receivables	74,727	--
Total financial assets	17,553,127	867,788
Accrued expenses	6,635	--
Total financial liabilities	6,635	--

31 December 2017	*Loans and receivables / Amortized cost*	*Available for sale*
Cash and cash equivalents	16,586,155	--
Investments	--	801,608
Other receivables	41,447	--
Total financial assets	16,627,602	801,608
Accrued expenses	1,003	--
Total financial liabilities	1,003	--

1 January 2017	*Loans and receivables / Amortized cost*	*Held to maturity*
Cash and cash equivalents	10,678,264	--
Investments	1,530,000	1,001,365
Receivables and advances	35,244	--
Total financial assets	12,243,508	1,001,365
Accrued expenses	407	--
Total financial liabilities	407	--

16 FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

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

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

(Amounts in US Dollar)

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises murabaha placements and investments in mutual funds.

The Fund's investment manager 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 Fund Board. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

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, murabaha placements and other receivables. 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 table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	31 December 2018	31 December 2017	1 January 2017
Cash in bank	**211,317**	1,051,175	758,264
Investments measured at amortised cost – net of ECL	**17,267,083**	15,534,980	11,450,000
Held to maturity investments	**--**	**--**	1,001,365
Other receivables	**74,727**	41,447	35,244
Total exposure to credit risk	**17,553,127**	16,627,602	13,244,873

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

(Amounts in US Dollar)

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

Analysis of credit quality
The Fund has murabaha placements (gross) with counterparties having the following credit quality rated by Moody's;

	31 December 2018	*31 December 2017*
A1	--	4,784,980
A2	2,000,000	4,320,000
A3	4,950,000	410,000
Aa2	3,480,000	--
Aa3	--	3,210,000
Baa1	6,840,000	2,810,000
Total	**17,270,000**	15,534,980

Amounts arising from ECL
Impairment on Murabaha placements has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that these exposures have low credit risk based on the external credit ratings of the counterparties.

12-month probabilities of default are based on Moody's transition matrix for the period 1983-2016. Loss given default parameters generally reflect an assumed recovery rate of 50%.

The Fund has recorded expected credit loss amounting to USD 2,917 as at 31 December 2018 (1 January 2018: USD 1,974). During the year, there were no stage movements in ECL of investments measured at amortised cost.

Liquidity risk
Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet the commitments associated with financial liabilities.

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units on each business day and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund's Murabaha placements and investment in mutual funds are considered to be readily realizable as these are of short term period.

The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Market risk
Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates, 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 the Fund's Terms and Conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

(Amounts in US Dollar)

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's functional currency is US Dollar (USD) and there are no foreign currency exposures as at 31 December 2018 except for investment at FVTPL which is in Saudi Arabian Riyal (SR). SR is already pegged with USD at a fixed rate and accordingly, foreign exchange gains / losses are not significant.

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 daily to ensure maintenance of positions within established gap limits, if any.

A summary of the Fund's commission rate gap position, analysed by the earlier of contractual re- pricing or maturity date, is as follows:

31 December 2018	***Less than 1 month***	***1 to 3 months***	***3 months to 1 year***	***Total***
ASSETS				
Investments at amortized cost	**7,925,000**	**9,345,000**	**450,000**	**17,270,000**
Total commission-bearing assets	**7,925,000**	**9,345,000**	**450,000**	**17,270,000**
LIABILITIES				
Total commission-bearing liabilities	**--**	**--**	**--**	**--**
Total commission rate gap	**7,925,000**	**9,345,000**	**450,000**	**17,270,000**

31 December 2017	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*Total*
ASSETS				
Investments at amortized cost	10,704,980	4,830,000	--	15,534,980
Total commission-bearing assets	10,704,980	4,830,000	--	15,534,980
LIABILITIES				
Total commission-bearing liabilities	--	--	--	--
Total commission rate gap	10,704,980	4,830,000	--	15,534,980

1 January 2017	*Less than 1 month*	*1 to 3 months*	*3 months to 1 year*	*Total*
ASSETS				
Investments at amortized cost	3,200,000	6,720,000	1,530,000	11,450,00
Total commission-bearing assets	3,200,000	6,720,000	1,530,000	11,450,00
LIABILITIES				
Total commission-bearing liabilities	--	--	--	--
Total commission rate gap	3,200,000	6,720,000	1,530,000	11,450,00

16 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

The sensitivity analysis reflects how net assets (equity) attributable to the Unitholders would have been affected by changes in relevant risk variable that were reasonably possible at the reporting date.

Management has determined that a fluctuation in commission rates of 10 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets (equity) attributable to the Unitholders of a reasonably possible increase of 10 basis points in commission rates at 31 December. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities. The impact is primarily from the decrease in the fair value of fixed income securities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Effect on net assets (equity) in SAR	**2018**	2017
Net assets (equity) attributable to the Unitholders	**15,647**	722

A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown above.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

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 unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management Team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund measures certain financial instruments at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Changes in assumptions about these factors could affect the fair value of financial instruments.

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 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.

Fair value hierarchy
The table below analyses financial instruments measured at fair value and amortised cost at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

(Amounts in US Dollar)

17 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

		31 December 2018			
		-----------------------Fair value--------------------			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments measured at amortised cost*	**17,267,083**	**--**	**--**	**17,267,083**	**17,267,083**
Investments at FVTPL	**867,788**	**867,788**	**--**	**--**	**867,788**
Total	**18,134,871**	**856,895**	**--**	**17,267,083**	**18,134,871**

* Net of expected credit losses

		31 December 2017			
		-----------------------Fair value--------------------			
	Carrying value	Level 1	Level 2	Level 3	Total
Investments measured at amortised cost	15,534,980	--	--	15,534,980	15,534,980
Available for sale investments	801,608	801,608	--	--	801,608
Total	16,336,588	801,608	--	--	16,336,588

		1 January 2017			
		-----------------------Fair value--------------------			
	Carrying value	Level 1	Level 2	Level 3	Total
Investments measured at amortised cost	9,920,000			9,920,000	9,920,000
Held to maturity investments	1,001,365	--	--	1,001,365	1,001,365
Total	10,921,365	--	--	10,921,365	10,921,365

During the year, no transfer within the levels have taken place.

Financial instruments such as cash in bank, Murabaha placements, held to maturity, other receivables and accrued expenses are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

18 LAST VALUATION DAY

The Capital Market Authority (CMA), through its circular dated 10 Rabi Al Thani 1439H (corresponding to 28 December 2017), has approved the Dual NAV approach for investment funds. In accordance with the circular, IFRS 9 will be applied for accounting and reporting purposes and dealing NAV will remain unaffected until further notice.

The last valuation day of the year was 31 December 2018 (2017: 31 December 2017) and in lieu of the above circular from CMA, the dealing net assets (equity) value on this day was USD 14.69 per unit (2017: 14.44). The IFRS net assets (equity) value per unit on 31 December 2018 was USD 14.69. Net assets (equity) per unit as per IFRS and dealing net assets (equity) value per unit remained the same due to minimal ECL provisions recognised under IFRS 9.

19 EXPLANATION OF TRANSITION TO IFRS

As stated in note 4, these are the Fund's first financial statements prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

The accounting policies set out in note 8 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in the financial statements for the year ended 31 December 2017 and in the preparation of an opening IFRS statement of financial position at 1 January 2017 (the Fund's date of transition) except for IFRS 9 as disclosed in note 20.

The transition from previous GAAP i.e. generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA to IFRSs as endorsed in the Kingdom of Saudi Arabia had no significant impact on the Fund's financial position, comprehensive income, and statement of changes in net assets (equity) attributable to the Unitholders and cash flows and hence no further reconciliation statements have been provided.

20 IMPACT OF CHANGES IN ACCOUNTING POLICIES

Adoption of IFRS 9 "Financial Instruments" (IFRS 9)
The Fund has adopted IFRS 9 with date of transition of 1 January 2018, opting to apply exemption allowed under IFRS 1 "First-time Adoption of International Financial Reporting Standards" from retrospective application. Accordingly, comparative information has been presented under the previous GAAP.

The assessment relating to determination of business model within which a financial instrument is held and classification and measurements of all of the Fund's financial instruments have been made based on the facts and circumstances that existed at the date of 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. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in net assets (equity) attributable to the Unitholders 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:

  - The determination of the business model within which a financial asset is held.
  - The revocation of previous designations of certain financial assets as measured at FVTPL.

The following table and the accompanying notes below explain the original measurement categories under previous GAAP and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

(Amounts in US Dollar)

20 IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

	Classification under previous GAAP	***New classification under IFRS 9***	***Original carrying value under previous GAAP***	***New carrying value under IFRS 9***
Cash in bank	Loans and receivables	Amortised cost	1,051,175	1,051,175
Investments measure at amortised cost	Loans and receivables	Amortised cost	15,534,980	15,533,006
Available for sale investments	Available for sale investments (AFS)	Investments at FVTPL	801,608	801,608
Other receivables	Loans and receivables	Amortised cost	41,447	41,447

Reconciliation of carrying amounts under previous GAAP to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under previous GAAP to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial assets	***Carrying amount as at 31 December 2017***	***Re-classification***	***Re-measurement***	***IFRS 9 carrying amount as at 1 January 2018***
Cash in banks	1,051,175	--	--	1,051,175
Investments measured at amortised cost	15,534,980	--	(1,974)	15,533,306
Investments at FVTPL	--	801,608	--	801,608
Available for sale	801,608	(801,608)	--	--
Receivables	41,447	--	--	41,447

As at 1 January 2018, re- measurement pertains to first time adoption of expected credit loss recorded in investments measured at amortised cost.

Impact on net assets (equity) attributable to Unitholders

	Net assets (equity) value
Closing balance under previous GAAP (31 December 2017)	17,428,207
Recognition of expected credit losses under IFRS 9	(1,974)
Opening balance under IFRS 9 (1 January 2018)	**17,426,233**

21 SUBSEQUENT EVENT

There were no significant post statement of financial position date events that require disclosure or adjusting of accounts in the financial statements.

22 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund Board on 28 Rajab 1440H (corresponding to 4 April 2019).