

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Interim Financial Statements (Unaudited)
For the six-month period ended 30 June 2017
together with the
Independent Auditors' Review Report to the Unitholders



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INDEPENDENT AUDITORS' REPORT ON REVIEW OF
INTERIM FINANCIAL STATEMENTS

The Unitholders
Jadwa Saudi Equity Fund
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2017 interim financial statements of **Jadwa Saudi Equity Fund** (the "Fund"), managed by Jadwa Investment Company (the "Fund Manager"), which comprises:

- the interim balance sheet as at 30 June 2017;
- the interim statement of income for the six-month period ended 30 June 2017;
- the interim statement of cash flows for the six-month period ended 30 June 2017;
- the interim statement of changes in net assets attributable to the Unitholders for the six-month period ended 30 June 2017; and
- the notes to the interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these interim financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by Saudi Organization for Certified Public Accountants ("SOCPA"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

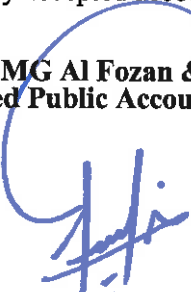
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Fund are not prepared, in all material respects, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA.

For KPMG Al Fozan & Partners
Certified Public Accountants


Khalil Ibrahim Al Sedais
License No: 371



Date: 11 Dhul-Qa'dah 1438H
Corresponding to: 3 August 2017

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
INTERIM BALANCE SHEET (Unaudited)
As at 30 June 2017
(Saudi Arabian Riyals)

	<i>Notes</i>	<u>2017</u>	<u>2016</u>
<u>Assets</u>			
Cash and cash equivalents		14,909,954	47,270,563
Investments held for trading	4	516,635,117	282,068,855
Murabaha placements	5	--	119,118,172
Accrued profit on Murabaha placements		--	596,955
Dividends receivable		523,776	455,688
Total assets		<u>532,068,847</u>	<u>449,510,233</u>
<u>Liabilities</u>			
Management fee payable	6	2,180,481	740,730
Accrued expenses and other current liabilities		425,317	26,210
Total liabilities		<u>2,605,798</u>	<u>766,940</u>
Net assets attributable to the Unitholders		<u>529,463,049</u>	<u>448,743,293</u>
Units in issue as at 30 June 2017 (numbers):			
- Class A		<u>1,994,241.84</u>	
- Class B		<u>924,320.85</u>	
- Class C		<u>12,027.31</u>	
Units in issue as at 30 June 2016 (numbers)			<u>1,622,495.87</u>
Net assets attributable to each unit as at 30 June 2017:			
- Class A		<u>119.9318</u>	
- Class B		<u>312.4940</u>	
- Class C		<u>120.1775</u>	
Net assets attributable to each unit as at 30 June 2016			<u>276.5759</u>

The accompanying notes (1) to (9) form an integral part of these interim financial statements.

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
INTERIM STATEMENT OF INCOME (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

	<i>Notes</i>	For the six-month period ended 30 June	
		<u>2017</u>	<u>2016</u>
<u>Income</u>			
Realized gain / (loss) on investments, net		9,230,485	(17,135,259)
Unrealized (loss) / gain on investments, net		(14,600,327)	4,019,225
Dividend income		11,566,237	7,145,460
Profit on Murabaha placements		-	1,215,153
Other income		-	622
Total income		<u>6,196,395</u>	<u>(4,754,799)</u>
<u>Expenses</u>			
Management fee	<i>1 (b), 6</i>	(4,220,234)	(4,065,550)
Other expenses	<i>1 (b)</i>	(425,317)	(26,235)
Total expenses		<u>(4,645,551)</u>	<u>(4,091,785)</u>
Net income / (loss) for the period		<u>1,550,844</u>	<u>(8,846,584)</u>

The accompanying notes (1) to (9) form an integral part of these interim financial statements.

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
INTERIM STATEMENT OF CASH FLOWS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

	For the six-month period ended 30	
	June	
	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Net income / (loss) for the period	1,550,844	(8,846,584)
<i>Adjustment to reconcile net income / (loss) for the period to net cash used in operating activities:</i>		
Realized (gain) / loss on investments, net	(9,230,485)	17,135,259
Unrealized loss/ (gain) on investments, net	<u>14,600,327</u>	<u>(4,019,225)</u>
	6,920,686	4,269,450
<i>Changes in operating assets and liabilities:</i>		
Purchase of investments held for trading	(155,913,728)	(199,909,982)
Proceeds from sale of investments held for trading	84,302,801	217,009,452
Murabaha placements made during the period	--	(197,618,172)
Murabaha placements matured during the period	--	78,500,000
Dividends receivable	(523,776)	(455,688)
Accrued profit on Murabaha placements	--	(596,955)
Accrued expenses and other current liabilities	287,191	(478,401)
Management fee payable	<u>1,551,929</u>	<u>70,702</u>
Net cash used in operating activities	<u>(63,374,897)</u>	<u>(99,209,594)</u>
Cash flows from financing activities		
Proceeds from issuance of units	132,603,921	62,212,926
Payment against redemption of units	<u>(67,594,839)</u>	<u>(12,022,753)</u>
Net cash generated from financing activities	<u>65,009,082</u>	<u>50,190,173</u>
Net increase / (decrease) in cash and cash equivalents	1,634,185	(49,019,421)
Cash and cash equivalents at beginning of the period	<u>13,275,769</u>	<u>96,289,984</u>
Cash and cash equivalents at end of the period	<u>14,909,954</u>	<u>47,270,563</u>

The accompanying notes (1) to (9) form an integral part of these interim financial statements.

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO UNITHOLDERS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

	For the six-month period ended 30 June	
	<u>2017</u>	<u>2016</u>
Net assets attributable to the Unitholders at the beginning of the period	462,903,123	407,399,704
Net income / (loss) for the period	1,550,844	(8,846,584)
<i>Changes from net assets attributable to the Unitholders</i>		
<i>Proceeds from units issues:</i>		
= Class A	75,000,000	--
= Class B	54,852,341	62,212,926
- Class C	2,751,580	--
Value of units redeemed:	132,603,921	62,212,926
= Class A	(48,728,552)	--
= Class B	(17,088,669)	(12,022,753)
- Class C	(1,777,618)	--
	(67,594,839)	(12,022,753)
Net change from units transactions	65,009,082	50,190,173
Net assets attributable to the Unitholders at the end of the period	529,463,049	448,743,293

Units transactions (numbers)	2017			2016
	Class A	Class B	Class C	
Units in issuance at the beginning of the period	1,792,794.20	803,750.65	4,276.30	1,432,977.97
Units issued during the period	624,524.75	176,913.67	23,074.01	234,467.94
Units redeemed during the period	(423,077.11)	(56,343.47)	(15,323.00)	(44,950.04)
Units in issuance at the end of the period	1,994,241.84	924,320.85	12,027.31	1,622,495.87

The accompanying notes (1) to (9) form an integral part of these interim financial statements.

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

1. THE FUND AND ITS ACTIVITIES

(a) Jadwa Saudi Equity Fund (the “Fund”) is an equity fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund Investors (the “Unitholders”). The Capital Market Authority’s (“CMA”) approval for the establishment of the Fund was granted in its letter number 443 dated 9 Jumada I 1428 H (corresponding to 26 May 2007). The Fund commenced its operations on 30 June 2007. As approved by CMA vide their letter No. 16/5696/5/3 dated 02/06/2016, the units of the Fund were converted to three classes, i.e. Unit Class “A”, Unit Class “B” and Unit Class “C” as explained below. The said conversion of units was effective from 26 September 2016 (“the effective date”).

- Units of investors with a total market value above SAR 25 million (as of the effective date) were converted to Class A at net assets value per unit of SAR 100.
- Units of investors with a total market value below SAR 25 million (as of the effective date) were converted to Class B at net assets value per unit on the effective date.
- Units owned by the Fund Manager employees/staff were converted to Class C at net assets value per unit of SAR 100.

The Fund aims to provide investors with a long-term capital appreciation by investing in Saudi equities listed on the Saudi stock market which are compliant with the Shariah standards approved by the Fund Manager’s Shariah Committee.

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

The Fund is governed by the Investment Fund Regulations (the “Regulations”) published by CMA on Shaban, 16 1437 H (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia.

The Fund Manager, administrator and custodian of the Fund is Jadwa Investment Company. The books and records of the Fund are maintained in Saudi Arabian Riyals (“SAR”).

(b) The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s terms and conditions, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas.

The Fund Manager may charge investor a subscription fee for a percentage not to exceed 3% of subscribed amount. Subscription fee is not included in the interim financial statements. Furthermore, the Fund Manager charges the Fund a management fee of 1.95% per annum of the net assets value till the date of conversion of units. Subsequent to that, management fee is being charged at 1.25%, 1.95% and 0.98% of the net assets value of Class A, Class B and Class C units respectively at each valuation day. In addition, the Fund Manager has the right to charge the Fund all other expenses related to the management / administration of the Fund, including but not limited to audit fee, legal charges in line with the Fund’s terms and conditions.

2. BASIS OF PREPARATION

a) *Statement of compliance*

These interim financial statements have been presented in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants (“SOCPA”) and do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Fund as at and for the year ended 31 December 2016.

JADWA SAUDI EQUITY FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

2. BASIS OF PREPARATION (CONTINUED)

b) *Basis of measurement*

These interim financial statements have been prepared under the historical cost convention, except for investments held for trading, which are measured at fair value, using the accrual basis of accounting and the going concern concept. The interim results may not be indicative of the Fund's annual results of operations.

c) *Functional and presentation currency*

These interim financial statements have been presented in SAR, which is the functional currency of the Fund.

d) *Use of estimates and judgment*

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these interim financial statements are set out below:

Investments held for trading

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

Dividend income

Dividend income is recognized when the Fund's right to receive dividend is established.

Trade date accounting

All purchase and sale of financial assets are recognized and derecognized on the trade date.

Profit on Murabaha placements

Profit on Murabaha placements is recognized on an effective yield basis.

Cash and cash equivalents

Cash and cash equivalents represents cash maintained with the custodian held under omnibus account with a local bank having sound credit rating.

Zakat and income tax

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

4. INVESTMENTS HELD FOR TRADING

The investments held for trading portfolio is allocated among the various economic sectors as follows:

	30 June 2017			30 June 2016		
	<u>Cost</u>	<u>Fair value</u>	<u>%</u>	<u>Cost</u>	<u>Fair value</u>	<u>%</u>
Economic sectors						
Materials	144,170,414	153,970,821	29.8	23,434,117	21,789,589	7.72
Banks	70,296,368	75,529,146	14.63	55,010,485	47,518,412	16.85
Food & beverages	46,299,141	64,424,437	12.47	59,275,967	59,581,512	21.12
Real estate management & development	42,670,378	45,421,632	8.79	33,120,838	37,341,025	13.24
Health care equipment & services	22,762,517	27,510,988	5.33	28,547,913	31,982,323	11.34
Insurance	17,338,828	18,413,414	3.56	6,878,363	11,257,092	3.99
Commercial & professional services	18,618,554	17,170,835	3.32	8,457,269	7,572,029	2.68
Capital goods	19,406,007	16,833,523	3.26	6,120,178	6,369,952	2.26
Transportation	14,354,688	14,253,334	2.76	5,962,700	6,070,163	2.15
Energy	21,459,652	13,086,982	2.53	18,542,671	11,395,182	4.04
Utilities	11,606,967	12,505,120	2.42	12,905,691	12,545,411	4.45
Diversified financials	13,202,757	12,418,416	2.4	7,623,279	7,356,730	2.61
Retailing	8,916,149	12,180,408	2.36	8,287,939	8,377,076	2.97
Consumer services	13,027,787	11,382,550	2.2	6,447,361	6,527,517	2.31
Nomu parallel market	14,607,947	9,862,468	1.91	--	--	--
Food & staples retailing	4,730,691	6,920,044	1.34	1,171,400	1,536,400	0.54
Pharma, biotech & life science	5,000,639	4,750,999	0.92	4,842,751	4,848,442	1.73
Total investments portfolio	488,469,484	516,635,117	100	286,628,922	282,068,855	100

5. MURABAHA PLACEMENTS

These represent placements with Saudi banks having sound credit ratings. As at 30 June 2017, placements were in the amount of Nil (30 June 2016: SAR 119.1 million) carrying a profit rate of Nil (30 June 2016: 2.9% - 3% per annum)

6. RELATED PARTY TRANSACTIONS

Related parties of the Fund include the Fund Manager, Fund Board members and funds being managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager (refer to Note 1b).

In addition to the related party transactions disclosed elsewhere in these interim financial statements, the other significant transactions with related parties for the period are as follows:

<u>Related party</u>	<u>Nature of transactions</u>	For the six-month period ended 30 June	
		<u>2017</u>	<u>2016</u>
Jadwa Investment (The Fund Manager)	Management fee	4,220,234	4,065,550
The Fund Board	The Fund Board meetings fee (independent member) – Other expenses	9,917	8,525

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NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2017
(Saudi Arabian Riyals)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

The balances as at 30 June resulting from the above transactions included in the accompanying interim financial statements are as follows:

<u>Related party</u>	<u>Nature of transactions</u>	<u>2017</u>	<u>2016</u>
Jadwa Investment (The Fund Manager)	Management fee payable	<u>2,180,481</u>	<u>740,730</u>
The Fund Board	Meetings fee payable to independent member of the Board – Accrued expenses	<u>9,917</u>	<u>8,525</u>

The Unitholders' accounts as at 30 June 2017 include 624,524.75 units in Unit Class A (30 June 2016: NIL units) held by the Fund Manager.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. The Fund's financial assets consist of cash and cash equivalents and investments held for trading. Financial liabilities consist of management fee payable, and accrued expenses and other current liabilities.

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. For investments traded in an active market, fair value is determined by reference to closing market prices.

Investments held for trading are carried at their fair value. Fair value of other financial instruments is not significantly different from their carrying value.

8. VALUATION DAYS

The Fund's units are valued on every business day and unit price announced on the following business day. The last valuation day for the purpose of preparation of these financials statements was 30 June 2017 (for the six-month period ended 30 June 2016: 30 June 2016).

9. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Fund Board on 11 Dhul-Qa'dah 1438H corresponding to 3 August 2017.