ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 30 June 2020
together with the
Independent auditor's report

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

Independent auditor's report

To the shareholders of Ashmore Investment Saudi Arabia

Opinion

We have audited the financial statements of **Ashmore Investment Saudi Arabia** ("the Company"), which comprise the statement of financial position as at 30 June 2020, the statements of income, comprehensive income, cash flows and changes in equity 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 Company as at 30 June 2020, 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 Organisation 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company 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 management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's by-laws and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

KPMG

Independent auditor's report

To the shareholders of Ashmore Investment Saudi Arabia (continued)

Auditor's 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Company'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 Company 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 **Ashmore Investment Saudi Arabia** ("the Company").

For KPMG Al Fozan & Partners
Certified Public Accountants

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محاسبون ومراجعون قانونيون
C.R. 46 KPMG س.ت رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

Khalil Ibrahim Al Sedais
License no. 371

10 Rabi Al-Awwal 1442H
Corresponding to: 27 October 2020

ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Amounts in Saudi Arabian Riyals)

	Note	30 June 2020	30 June 2019
ASSETS			
Cash and cash equivalents	*6*	**32,089,089**	27,354,536
Due from a related party	*8*	**--**	1,343,920
Advances and other current assets	*7*	**11,595,184**	8,512,805
Deferred tax assets	*15*	**3,835,133**	4,009,063
Property and equipment, net	*9*	**569,865**	723,596
Right of use assets	*10*	**1,642**	-
Total assets		**48,090,913**	41,943,920
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other current liabilities	*11*	**1,813,120**	1,974,941
Due to a related party	*8*	**2,526,653**	-
Lease liability	*12*	**1,753**	-
Accrued zakat and income tax provision	*15*	**638,787**	1,032,656
Employees' end of service benefits liability ("EOSB")	*16*	**1,482,937**	1,639,663
Total liabilities		**6,463,250**	4,647,260
EQUITY			
Share capital	*1*	**50,000,000**	50,000,000
Accumulated losses		**(10,050,893)**	(12,720,944)
Actuarial gains on employees' EOSB		**428,618**	17,604
Share based payment reserve		**1,249,938**	--
Total shareholders' equity		**41,627,663**	37,296,660
Total liabilities and shareholders' equity		**48,090,913**	41,943,920

The accompanying notes (1) through (23) form an integral part of these financial statements.

These financial statements are signed off on behalf of the Board of Directors based on the authorisation issued:

Dr. Abdullah Alshwer
Chief Executive Officer

Waseem Anis
Chief Financial Officer

ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 30 June 2020
(*Amounts in Saudi Arabian Riyals*)

	Note	For the year ended 30 June 2020	2019
Asset management fee income	8	**26,070,054**	19,589,732
Advisory fee income		**1,152,076**	6,104,687
Service fee income	8	**3,653,832**	1,314,118
Operating income		**30,875,962**	27,008,537
Salaries and employee related expenses	13	**16,892,905**	15,540,355
Asset management fee expenses	8	**7,518,755**	1,740,805
General and administrative expenses	14	**2,845,103**	3,871,893
Legal and professional fees		**651,069**	554,896
Operating expenses		**27,907,832**	21,707,949
Net operating income		**2,968,130**	5,300,588
Other income		**470,982**	742,329
Net income for the year before zakat and income tax		**3,439,112**	6,042,917
Zakat and income tax (expense) / benefit	15	**(741,914)**	2,978,694
Net income for the year after zakat and income tax		**2,697,198**	9,021,611

The accompanying notes (1) through (23) form an integral part of these financial statements.

These financial statements are signed off on behalf of the Board of Directors based on the authorisation issued:

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Dr. Abdullah Alshwer
Chief Executive Officer

Waseem Anis
Chief Financial Officer

ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

		For the year ended 30 June	
	Note	2020	2019
Net income for the year		**2,697,198**	9,021,611
Other comprehensive income			
Item that cannot be reclassified subsequently to statement of income			
Re-measurement of employees' end of service benefits liability	*16*	**411,014**	(161,601)
Other comprehensive income/ (loss) for the year		**411,014**	(161,601)
Total comprehensive income for the year		**3,108,212**	8,860,010

The accompanying notes (1) through (23) form an integral part of these financial statements.

These financial statements are signed off on behalf of the Board of Directors based on the authorisation issued:

Dr. Abdullah Alshwer
Chief Executive Officer

Waseem Anis
Chief Financial Officer

ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

	Note	Share capital	Accumulated losses	Actuarial gains on employees' end of service benefits liability	Share based payment reserve	Total
Balance as at 1 July 2018		50,000,000	(21,742,555)	179,205	--	28,436,650
Net income		--	9,021,611	--	--	9,021,611
Other comprehensive income	*16*	--	--	(161,601)	--	(161,601)
Total comprehensive income		--	9,021,611	(161,601)	--	8,860,010
Balance as at 30 June 2019		50,000,000	(12,720,944)	17,604	--	37,296,660
Balance as at 1 July 2019, as reported		**50,000,000**	**(12,720,944)**	**17,604**	--	**37,296,660**
Adjustment on initial application of IFRS 16	*4a*	--	**(27,147)**	--	--	**(27,147)**
Balance as at 1 July 2019, as adjusted		**50,000,000**	**(12,748,091)**	**17,604**	--	**37,269,513**
Equity-settled share based plan	*17*	--	--	--	**1,249,938**	**1,249,938**
Net income		--	**2,697,198**	--	--	**2,697,198**
Other comprehensive income	*16*	--	--	**411,014**	--	**411,014**
Total comprehensive income		--	**2,697,198**	**411,014**	--	**3,108,212**
Balance as at 30 June 2020		**50,000,000**	**(10,050,893)**	**428,618**	**1,249,938**	**41,627,663**

The accompanying notes (1) through (23) form an integral part of these financial statements.

These financial statements are signed off on behalf of the Board of Directors based on the authorisation issued:

Dr. Abdullah Alshwer
Chief Executive Officer

Waseem Anis
Chief Financial Officer

ASHMORE INVESTMENT SAUDI ARABIA
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 30 June 2020
(Amounts in Saudi Arabian Riyals)

	Note	For the year ended 30 June 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before zakat and income tax		**3,439,112**	6,042,917
Adjustments to reconcile net income before zakat and income tax to net cash generated from operating activities:			
Depreciation	*14*	**752,219**	192,730
Employees' end of service benefits	*16*	**618,471**	534,458
Finance cost on lease liability	*12*	**15,431**	--
Share-based payment expense	*17*	**2,050,048**	--
		6,875,281	6,770,105
Net (increase) / decrease in operating assets			
Due from a related party		**1,343,920**	(132,371)
Advances and other current assets		**(3,082,379)**	(2,593,672)
Net increase in operating liabilities			
Accrued expenses and other current liabilities		**(161,821)**	34,463
Due to a related party		**2,526,653**	--
		7,501,654	4,078,525
Zakat and income tax paid during the year	*15*	**(961,853)**	(613,040)
Employees' end of service benefits paid during the year	*16*	**(364,183)**	--
Cash settled share based payment	*17*	**(800,110)**	--
Net cash generated from operating activities		**5,375,508**	3,465,485
CASH FLOWS FROM AN INVESTING ACTIVITY			
Purchase of property and equipment	*9*	--	(40,215)
Net cash used in an investing activity		--	(40,215)
CASH FLOWS FROM A FINANCING ACTIVITY			
Payment of principal portion of lease liability	*12*	**(640,955)**	--
Net cash used in a financing activity		**(640,955)**	--
Net increase in cash and cash equivalents		**4,734,553**	3,425,270
Cash and cash equivalents at beginning of the year		**27,354,536**	23,929,266
Cash and cash equivalents at end of the year	*6*	**32,089,089**	27,354,536

The accompanying notes (1) through (23) form an integral part of these financial statements.

These financial statements are signed off on behalf of the Board of Directors based on the authorisation issued:

Dr. Abdullah Alshwer
Chief Executive Officer

Waseem Anis
Chief Financial Officer

1. ORGANISATION AND PRINCIPAL ACTIVITIES

Ashmore Investment Saudi Arabia ("the Company") is a Saudi Closed Joint Stock Company formed under foreign license investment number 10293506737555, issued by the Saudi Arabian General Investment Authority on 13 Juma'da Al Thani 1435H (corresponding to 13 April 2014) and operates under commercial registration no. 1010420651 dated 7 Shawwal 1435H (corresponding to 3 August 2014).

The principal activities of the Company are to provide asset management services, including managing investment funds, client portfolio management, and advisory services in relation to the securities business pursuant to the Capital Market Authority ("CMA") license number 14174-22 dated 19/3/1435H (corresponding to 20 January 2014) of the Company. In addition to these activities, the CMA approved the Company's application to venture to arranging activities through its letter to the Company dated 29/4/1439H (corresponding to 16 January 2018).

The Company is registered at the following address:
P.O. Box 8022
Riyadh 112213
Kingdom of Saudi Arabia

The authorised, issued and fully paid share capital of the Company consists of 5 million shares of SAR 10 each. As at 30 June 2020 and 2019, the Company is owned by the following shareholders in the proportion set out below:

Names of shareholders	Type	No. of shares	Value per share	Total	% of holding
Ashmore Investment (UK) Ltd.	Non-GCC	4,500,000	10	45,000,000	90
Dr. Khalild Al Sweilem	Saudi	500,000	10	5,000,000	10
		5,000,000		**50,000,000**	**100**

During the year, Ashmore Investments (UK) Ltd, decided to acquire all the outstanding shares held by Dr. Khalid Al Sweilem at a mutually agreed price. As at 30 June 2020, the transfer of shareholding was in process with the relevant regulatory authorities. Subsequent to year end in September 2020, the shareholding transaction was completed.

2. BASIS OF PREPARATION

a) *Statement of compliance*

These 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 the Saudi Organisation for Certified Public Accountants ("SOCPA") (hereinafter referred to as "IFRS as endorsed in KSA") and in compliance with the applicable requirements of the Regulation of Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

b) *Basis of measurement and presentation*

These financial statements have been prepared on a historical cost basis, except employees' end of service benefits liability which is measured at present value of future obligations using the Projected Unit Credit Method. These financial statements have been prepared on an accrual basis of accounting using the going concern assumption.

Assets and liability balances are presented in the statement of financial position in the order of liquidity.

2. BASIS OF PREPARATION (CONTINUED)

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional and presentation currency of the Company. All financial information presented have been rounded off to nearest SAR unless otherwise stated.

d) Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, 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 accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Areas where management has used significant estimates, assumptions and exercised judgements are as follows:

- Valuation of deferred tax assets – notes 4(f) and 15
- Valuation of employees' end of service benefits liability – notes 4(e) and 16
- Valuation of employees' share based payment plan – notes 4(e) and 17

3. GOING CONCERN

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time. The management continues to evaluate the current situation through reviewing the funds it manages, its business strategy and risk management practices to manage the impact COVID-19 outbreak can have to its normal operations and financial performance. Furthermore management believes that based on their assessment, the Company has sufficient liquidity and financial resources available to meet its financial commitments as and when they become due and has the ability to continue as a going concern in the foreseeable future. As a result, these financial statements have been prepared on a going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented except for the adoption of the new standard mentioned in note 4(a). Where policies are applicable only from or before 1 July 2019, those policies have been particularly specified.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Changes in accounting policies

IFRS 16 Leases

Effective 1 January 2019, the Company has adopted IFRS 16 *Leases*, the impact of the adoption of this standard is explained below.

The standard replaces the existing guidance on leases, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

IFRS 16 is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Company's statement of financial position, unless the term is twelve months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right of use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Company has recognised the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. During the first time application of IFRS 16 to operating leases, the right of use the leased assets was generally measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019, discounted using the Company's incremental borrowing rate at the time of first time application.

Impact on financial statements
When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.5% per annum. The impact of transition is summarized below:

	1 July 2019
Assets:	
Right of use assets	600,130
Total impact on assets	600,130
Liabilities:	
Lease liabilities	(627,277)
Total impact on liabilities	(627,277)
Equity:	
Accumulated losses	27,147
Total impact on equity	27,147

IFRS 16 transition disclosures also requires the Company to present the reconciliation of the off-balance sheet lease obligations. As of 30 June 2019, lease obligations are reconciled as follows to the recognized lease liability as of 1 July 2019.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Changes in accounting policies (continued)

IFRS 16 Leases (continued)

Reconciliation of lease liability

Off-balance sheet lease obligations as at 30 June 2019	**640,955**
Discounted lease liability due to initial application of IFRS 16 as of 1 July 2019	**627,277**

b) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash at banks in current accounts and other short-term highly liquid placements with banks having original maturities of three months or less from the date of its date of original purchase/acquisition.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

c) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognised in the income statement when incurred. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful life of individual items of property and equipment.

The estimated useful lives of property and equipment are as follows:

	Years
Furniture and equipment	4
Motor vehicles	4

Leasehold improvements are depreciated over 10 years or lease term, whichever is shorter.

d) Accrued expenses and other payables

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

e) Employees' benefits

Short-term employee benefits
Short-term employee benefits are those amounts expected to be settled wholly within 12 months of the end of the period in which the employees render the service that gives rise to the benefits.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits under "accrued expenses and other current liabilities" in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Employees' benefits (continued)

Post-employment benefits obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefits under "accrued expenses and other current liabilities" in the statement of financial position.

Post-employment benefits obligation

<u>End of service benefits</u>
The Company provides end of service benefits to its employees in accordance with the requirements of Articles 87 and 88 of the Saudi Arabian Labor Law. The entitlement to these benefits, is based upon the employees' basic salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognised over the service period. The employee benefits obligation plan is not funded. The valuation of the obligation under those plans is carried out by an independent actuary based on the projected unit credit method.

The liability recognised in the statement of financial position is the present value of the employees' benefits obligation at the end of the reporting period. The employees' benefits obligation is calculated annually by independent actuary using the projected unit credit method.

The present value of the employees' benefits obligation is determined by discounting the estimated future cash outflows using the yield available on Citi Pension Liability Index of duration equal to the duration of the liability. Past-service costs, if any, are recognised immediately in the statement of income.

The special commission cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise.

<u>Share-based payment plan</u>

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

f) Zakat and income tax

<u>*Zakat and income tax*</u>
The Company's Saudi shareholders are subject to zakat in accordance with the regulations of the General Authority for Zakat and Tax ("GAZT") as applicable in the Kingdom of Saudi Arabia. The zakat charge is computed on the zakat base.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Zakat and income tax (continued)

The Company's foreign shareholders are subject to income tax in accordance with the regulations of GAZT as applicable in the Kingdom of Saudi Arabia. Income tax is computed on adjusted net income.

An estimate of zakat and income tax provisions are charged to statement of income.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liability is recognised for all temporary differences. Deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

g) Withholding tax payable

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations.

h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income. Impairment losses in respect of non-financial assets recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had there been no impairment loss had been recognised.

i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are also translated into SAR at the exchange rate at the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Foreign currency transactions (continued)

Foreign currency differences arising on translation are recognised in the statement of income as net foreign exchange gains or losses, except for those arising on financial instruments at fair value through income statement ("FVTIS"), which are recognised as a component of net gain from financial instruments at FVTIS.

j) Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholders.

k) Expenses

Salaries and short-term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided.

General and administrative expenses and other expenses are expensed as incurred.

l) Assets held in trust or in a fiduciary capacity

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and accordingly treated as off-balance sheet items.

m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made of the amount of obligation.

n) Revenue from contracts with customers

The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. The revenue is recognised when The Company transfers the services to customers at an amount that the Company expects to be entitled to in exchange for those services.

The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in its revenue arrangements since it has exposure to the significant risks and rewards.

The details of the Company's revenues and the method of their recognition in accordance with IFRS 15 are as follows:

<u>Asset management fee income</u>
Asset management fees are recognised based on a fixed percentage of net assets under management ("asset-based"), or a percentage of returns from net assets ("return-based") subject to applicable terms and conditions and service contracts with customers and funds. The Company attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Company's efforts to transfer the services for that period. As asset management fees are not subject to clawbacks, the management does not expect any significant reversal of revenue previously recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Revenue from contracts with customers (continued)

Advisory fee income
Advisory fees are recognised based on the applicable service contract, as the services are rendered under the applicable service contracts using the five-step approach to revenue recognition above.

Special commission revenue
Special commission income is accrued and recognised using the effective commission method.

Service fee income
Service fees are referral fee income for introducing the Company's clients to one of the Company's related parties and are recognised based on agreed rates upon successful referral.

o) Leases

Policy applicable from 1 July 2019

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset and restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Leases (continued)

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases (less than 12 months) and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 July 2019

Rental expenses under operating lease is charged to the statement of income over the period of the respective lease on a straight-line basis.

p) Financial instruments

i) Financial assets

IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:
- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (“FVOCI”), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through income statement (“FVTIS”).

The Company only holds debt instruments measured at amortised cost.

Financial assets classified as amortised cost
Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- 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 instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers various factors.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company will consider the contractual terms of the instrument. This will include 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.

Income is recognised on an effective yield basis for debt instruments measured subsequently at amortised cost. Special commission is recognised in the statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Financial instruments (continued)

i) Financial assets (continued)

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses ("ECL") on debt instruments that are measured at amortised cost. The amount of ECL reflects changes in credit risk since initial recognition of the respective financial instrument. The Company applies the simplified approach to calculate impairment on its financial assets at amortised cost, whenever applicable and this always recognises lifetime ECL on such exposures.

The Company recognises impairment loss, if any, in the statement of income with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets
The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to receive or pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

ii) Financial liabilities

Financial liabilities carried at amortised cost have been classified and measured at amortised cost using the effective yield method.

All financial liabilities of the Company is classified and carried at amortised cost.

Derecognition of financial liabilities
The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of amendments and standards were issued where earlier application is permitted. However, the Company has not early applied these new amendments and standards in preparing these financial statements.

Standards and amendments issued but not yet effective applicable to the Company's financial statements but not expected to have a significant impact are listed below:

a. Amendments to References to Conceptual Framework in IFRS standards;
b. Definition of a Business (Amendments to IFRS 3);
c. Definition of Material (Amendments to IAS 1 and IAS 8); and
d. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform.

6. CASH AND CASH EQUIVALENTS

	Note	30 June 2020	30 June 2019
Cash on hand		**24,754**	1,640
Cash at bank		**10,064,335**	2,352,896
Cash equivalents	*6.1*	**22,000,000**	25,000,000
		32,089,089	27,354,536

6.1 As at 30 June 2020, the cash equivalents comprise of Murabaha placements with original maturity of less than three months and carry profit rate of 0.9 % per annum (30 June 2019: 1.8 % to 2.35 % per annum) with maturities of up to 13 September 2020 (30 June 2019: 9 September 2019).

7. ADVANCES AND OTHER CURRENT ASSETS

	30 June 2020	30 June 2019
Accrued asset management fee income	**11,389,319**	8,031,175
Rent deposit	**64,097**	64,097
Other prepayments and current assets	**141,768**	417,533
	11,595,184	8,512,805

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties of the Company include shareholders, funds managed by the Company, affiliated entities and Board of Directors of the Company. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. In addition to the related party transactions disclosed elsewhere in these financial statements, the other significant related party transactions for the period ended and balances resulting from these transactions are as follows:

Name of related parties	Nature of Relationship	Nature of transaction	Note	For the year ended 30 June 2020	For the year ended 30 June 2019
Funds managed by the Company	Funds under management	Asset management fee income		**26,070,054**	19,589,732
Ashmore Investment Management (UK) Limited	Shareholder	Advisory fee income		**--**	3,961,584
Ashmore Company Plc	Affiliated entity	IT-related expense	*8.1*	**956,709**	1,020,595
Ashmore Investment Management (UK) Limited	Affiliated entity	Service fee income	*8.2*	**3,653,832**	1,314,118
Ashmore Investment Management (UK) Limited	Affiliated entity	Asset management fee expenses	*8.3*	**7,518,755**	1,740,805
Board of Directors	Board members	Directors' remuneration		**344,375**	545,000
Key management personnel of the Company	Senior executive management	Short-term benefits	*8.4*	**9,614,205**	11,328,600
		Post-employment benefits	*8.4*	**321,893**	372,031
		Share-based payment expense	*8.4*	**555,556**	--

8. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

The above transactions resulted in the following balances with Ashmore Company Plc (UK):

	30 June 2020	30 June 2019
Due from Ashmore Company Plc (UK)	**9,959,234**	5,177,137
Due to Ashmore Company Plc (UK)	**(12,485,887)**	(3,833,217)
Due (to) / from Ashmore Company Plc (UK)	**(2,526,653)**	1,343,920

8.1 The Company has outsourced its complete IT operations to Ashmore Investment Management (UK) Limited and signed service level agreement based on which the Company receives invoices on a quarterly basis for the IT services provided.

8.2 Based on the agreement between the Company, Ashmore Investment Management (UK) Limited and Ashmore Investment Advisors (UK) Limited, the Company receives service / referral fee for introducing its clients to Ashmore Investment Management (UK) Limited / Ashmore Investment Advisors (UK) Limited.

8.3 Based on agreements between the Company and Ashmore Investment Management (UK) Limited, the Company pays fund management fee to Ashmore Investment Management (UK) Limited for receiving professional advice in the management of the funds it manages.

8.4 Key management personnel includes Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

8.5 Intercompany receivables and payables are settled between the Company and Ashmore Company Plc on behalf of its subsidiaries.

9. PROPERTY AND EQUIPMENT, NET

	30 June 2020				30 June 2019
	Leasehold improvements	**Motor Vehicle**	**Furniture and office equipment**	**Total**	Total
Cost:					
At beginning of the year	**1,157,601**	**85,700**	**397,933**	**1,641,234**	1,601,019
Additions	**-**	**-**	**-**	**-**	40,215
At end of the year	**1,157,601**	**85,700**	**397,933**	**1,641,234**	1,641,234
Accumulated depreciation:					
At beginning of the year	**(520,135)**	**(44,583)**	**(352,920)**	**(917,638)**	(724,908)
Charge for the year	**(115,864)**	**(21,498)**	**(16,369)**	**(153,731)**	(192,730)
At end of the year	**(635,999)**	**(66,081)**	**(369,289)**	**(1,071,369)**	(917,638)
Net book value:					
At 30 June 2020	**521,602**	**19,619**	**28,644**	**569,865**	
At 30 June 2019	637,466	41,117	45,013		723,596

10. RIGHT OF USE ASSETS

	Office Space
Cost:	
As at 1 July 2019	**600,130**
Additions	**--**
As at 30 June 2020	**600,130**
Depreciation:	
As at 1 July 2019	**--**
Charge for the year	**598,488**
As at 30 June 2020	**598,488**
Net book value:	
As at 30 June 2020	**1,642**

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2020	30 June 2019
Withholding tax payable	**616,651**	685,539
Directors fees	**412,500**	562,813
Insurance	**169,982**	--
Professional fees	**433,750**	370,559
Utilities	**100,000**	188,840
Staff-related expenses	**70,237**	76,571
Other current liabilities	**10,000**	90,619
	1,813,120	1,974,941

12. LEASE LIABILITIES

	30 June 2020
Balance as at 1 January	**627,277**
Payment of lease liabilities	**(640,955)**
Finance cost	**15,431**
	1,753

13. SALARIES AND EMPLOYEES RELATED EXPENSES

	Note	**30 June 2020**	30 June 2019
Salaries		**7,774,585**	8,320,865
Bonuses		**5,275,000**	5,230,000
Share-based payment expense	*17*	**2,050,048**	--
Employees' end of service benefits expense	*16*	**618,471**	534,458
Directors fees		**344,375**	545,000
Staff insurance		**419,687**	472,410
Others		**410,739**	437,622
		16,892,905	15,540,355

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**30 June 2020**	30 June 2019
IT-related services fee	*8.1*	**956,709**	1,064,207
Depreciation		**752,219**	192,730
Communication expense		**401,460**	321,256
Insurance expense		**305,267**	221,403
Travelling expense		**204,467**	454,598
Rent expense		**--**	582,686
Others		**224,981**	1,035,013
		2,845,103	3,871,893

15. ZAKAT AND INCOME TAX PROVISION

The Company is 10% owned by a Saudi shareholder and 90% owned by non-GCC shareholders. Therefore, in accordance with the regulations of GAZT, the Company is subject to zakat attributable to its Saudi shareholder and to income tax attributable to its non-GCC shareholders.

The movements of zakat and income tax provision are as follows:

	30 June 2020	30 June 2019
Balance at beginning of the year	**1,032,656**	615,327
Income tax provision for the year	**460,089**	946,770
Zakat provision for the year	**107,895**	83,599
Payments made during the year	**(961,853)**	(613,040)
Balance at end of the year	**638,787**	1,032,656

The key components of zakat and income tax bases and calculation of zakat and income tax charges are as follows:

	30 June 2020	30 June 2019
Zakat		
Share capital	**50,000,000**	50,000,000
Actuarial losses on employee's end of service benefits liability	**17,604**	17,604
Adjusted profit for the year	**3,863,240**	7,013,111
Employees' end of service benefits	**1,274,855**	943,604
Due to a related party	**110,619**	--
	55,266,318	57,974,319
Less:		
Fixed assets	**571,507**	792,260
Accumulated losses	**12,720,944**	21,742,555
	13,292,451	22,534,815
Zakat base	**41,973,867**	33,439,504
Saudi shareholder's share of Zakat base (10%)	**4,197,387**	3,343,950
Zakat @ 2.5%	**107,895**	83,599
Current income tax		
Foreign shareholder share of net income (20%)	**2,300,444**	4,733,850
Income tax at 20%	**460,089**	946,770
Deferred tax credit		
Origination and reversal of temporary differences and unrecognised tax losses	**173,930**	(4,009,063)
Total zakat and income tax expense / (benefit) for the year	**741,914**	(2,978,694)

15. ZAKAT AND INCOME TAX PROVISION (CONTINUED)

Deferred taxes are arising from temporary differences relating to end of service benefits, property and equipment, unrecognised losses, etc. The movement of the deferred taxes is as follows:

	30 June 2020	30 June 2019
Balance at beginning of the year	**(4,009,063)**	--
Origination of temporary differences	**20,795**	(345,678)
Reversal / (recognition) of previously unrecognised tax losses	**153,135**	(3,663,385)
Deferred tax expense / (benefit)	**173,930**	(4,009,063)
Balance at end of the year	**(3,835,133)**	(4,009,063)

The management reassessed future profitability of the Company on 30 June 2020. In line with the Company's business plan, the management expects that there will be sufficient future taxable profit in the subsequent years to which these deferred tax assets will be utilized. Thus, the Company recognised deferred tax assets on temporary differences and carried forward tax losses amounting to SR 3.84 million as at 30 June 2020 and SR 4.01 million as at 30 June 2019.

15.1 Status of assessments

The Company has filed its zakat and tax returns for all years up to 2019. The Company has not received any notification of assessment from GAZT in relation to the filed returns.

16. EMPLOYEES' END OF SERVICE BENEFITS LIABILITY

During the year, the actuarial valuations of the defined benefit obligation were carried out under the Projected Unit Credit Method.

16.1 The amounts recognised in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	30 June 2020	30 June 2019
Present value of the defined benefit obligation opening balance	**1,639,663**	943,604
Statement of income		
Current service cost	**567,467**	496,714
Finance cost on defined benefit obligation	**51,004**	37,744
Cash movement		
Benefits paid during the period	**(364,183)**	--
Other comprehensive income		
Actuarial (gain) / loss	**(411,014)**	161,601
Present value of defined benefit obligation closing balance	**1,482,937**	1,639,663

16.2 Principal actuarial assumptions:

	30 June 2020	30 June 2019
Discount rate (% per annum)	**2.00%**	3.50%
Rate of change in salary (% per annum)	**+4.24%**	+5.00%

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region. Attrition rates have been determined using benchmarks and adjusted for Company's own experience.

16. EMPLOYEES' END OF SERVICE BENEFITS LIABILITY (CONTINUED)

16.3 Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 30 June 2020 and 30 June 2019 to the key assumptions mentioned in 16.2 above.

30 June 2020	**SAR'000**		
	Impact on defined benefit obligation – Increase / (Decrease)		
Base scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**1.00%**	**(96)**	**114**
Expected rate of salary increase	**1.00%**	**113**	**(102)**

30 June 2019	SAR'000		
	Impact on defined benefit obligation – Increase / (Decrease)		
Base scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	(75)	87
Expected rate of salary increase	1.00%	86	(75)

16.4 Expected maturity

Expected maturity analysis of undiscounted defined benefit obligation for the end of service plan is as follows:

SAR'000

30 June 2020	**1 year**	**2 to 5 years**	**6 to 10 years**	**More than 10 years**	**Total**
1,482	**197**	**587**	**392**	**543**	**1,719**

30 June 2019	1 year	2 to 5 years	6 to 10 years	More than 10 years	Total
1,640	155	532	509	1,104	2,300

The weighted average duration of the defined benefit obligation is 6.96 years on 30 June 2020, and 9.0 years on 30 June 2019.

17. SHARE-BASED PAYMENT ARRANGEMENT

On 30 September 2019, the Company introduced equity-settled share-based payment plan ("the Plan") that entitles employees to receive Class B shares (each with grant date fair value of SAR 10) of Ashmore Cayman Limited ("Ashmore Cayman") established for the purpose of owning a share of the Company.

In accordance with the Plan, the Company is to issue shares representing 10% of the Company's share capital outstanding as of 30 June 2020 to Ashmore Cayman. Class B shares to be granted to employees shall correspond to the equity interest to be owned by Ashmore Cayman in the Company. All of the above shares are awarded to eligible employees. Vesting condition is service of 5 years.

17. SHARE-BASED PAYMENT ARRANGEMENT

Equity settled share based payment arrangement

Awards outstanding under the plan are as follows:

	Number of shares subject to awards	Fair value at grant date
At the beginning of the year	-	-
Granted	311,099	10
Vested	-	-
Awards outstanding at year end	**311,099**	**10**

The fair value of SR 10 per share is based on the most recent immediate vesting of shares to an employee at the grant price of SR 10.

Cash settled share based payment arrangement

During the year the Company awarded 80,011 shares to an employee which vested immediately at the grant price of SR 10 per share. For the period ended 30 June 2020, the Company has recognised share-based payment expense of SR 2.05 million (note 13) of which SR 0.80 million was settled as discussed above.

18. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY

CMA has issued Prudential Rules ("the Rules") dated 30 December 2012 (corresponding to 17 Safar 1434H). According to the Rules, CMA prescribed the framework and guidance regarding the minimum regulatory capital requirement and its calculation methodology. In accordance with this methodology, the Company has calculated its minimum capital required and capital adequacy ratios as follows:

	30 June 2020	30 June 2019
Capital base:	**SAR in "000"**	SAR in "000"
Tier 1 Capital	**36,114**	33,270
Tier 2 Capital	**--**	--
Total capital base	**36,114**	33,270
Minimum capital requirement:		
Market risk	**--**	--
Credit risk	**5,517**	4,208
Operational risk	**6,977**	5,427
Total minimum capital required	**12,494**	9,635

18. REGULATORY REQUIREMENTS FOR CAPITAL AND CAPITAL ADEQUACY (CONTINUED)

	30 June 2020 SAR in "000"	30 June 2019 SAR in "000"
Capital adequacy ratio:		
Surplus in capital	**23,620**	23,635
Tier 1 capital ratio (time)	**2.89**	3.45
Total capital ratio (time)	**2.89**	3.45

The capital that the Company are required to hold is determined by on-balance sheet, off-balance sheet, counterparty and other risk exposures. Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios. These processes are designed to ensure that the Company has sufficient capital available to meet local regulatory capital requirements at all times.

a) Capital base of the Company comprises of

- **Tier-1 capital** consists of paid-up share capital, retained earnings, reserves excluding revaluation reserves.

- **Tier-2 capital consists of revaluation reserves.**

b) The minimum capital requirements for market, credit and operational risk are calculated as based on the requirements specified in the Part 3 of the Prudential Rules issued by the CMA.

c) The Company's business objectives when managing capital adequacy is to comply with the capital requirements set forth by the CMA to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's objective in managing risk is the creation and protection of shareholder value. Risk management is an ongoing process which requires continuous identification, analysis, mitigation and monitoring of risks and controls.

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. These risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company has dedicated Risk and Compliance function. Day-to-day risk management activities are managed within each respective business unit. The Board of Directors meets on a quarterly basis and is updated on all relevant aspects of the business, including risk management matters.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The company has exposure to the following risks arising from financial instruments:
- Market risk;
- Credit risk; and
- Liquidity risk.

19.1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and may cause the other party to incur a financial loss. The Company is exposed to credit risk mainly arising from cash and cash equivalents, due from related parties and advances and other current assets .

The Company's risk management policies and processes are designed to identify and analyse risk, to set appropriate limits and controls, and to monitor the risks and adherence to limits by means of timely and reliable management information data.

The Company's maximum exposure to credit risk is as follows:

	30 June 2020	30 June 2019
Cash and cash equivalents	**32,089,089**	27,354,536
Due from a related party	**--**	1,343,920
Advances and other current assets	**11,455,017**	8,128,375
	43,544,106	36,826,831

Based on management assessment, the Company has limited exposure to credit risk due to the following:

a. *Cash and cash equivalents* are maintained with banks having sound credit ratings.
b. *Due from related parties* is related to an agreement with Ashmore Company Plc UK where receivables and payables relating to various services received and provided by the Company is settled centrally by Ashmore Company Plc UK, as approved by the Company's management.
c. *Advances and other current assets* represent mainly accrued assets, management fees receivable and rent deposits, which are considered as low credit risk by the Company.

19.2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Company's future commitments. The Company is not exposed to significant liquidity risk as the Company has adequate liquid assets available that exceeded current liabilities by SR 38.70 million as at 30 June 2020 (30 June 2019: 36.74 million).

19.3 Special commission rate risk

Special commission rate risk is the exposure to risks associated with the effect of fluctuations in the prevailing special commission rate on the Company's financial position and cash flows. The Company's only commission bearing assets are short-term murabaha placements maintained with a local bank carrying fixed rates. Hence, the Company is not exposed to special commission rate fluctuations.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

19.4 Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The Company's transactions are principally denominated in Saudi Riyals, United States Dollars and Pound Sterling. Other transactions in foreign currencies are not material. Currency risk is managed on a regular basis by monitoring movements in currency exchange rates. Management believes that there is insignificant risk of losses due to exchange rate fluctuation as most of the Company’s monetary assets and liabilities are primarily in US dollars which is pegged with the Saudi Riyal.

20. ASSETS HELD UNDER MANAGEMENT

Assets under management (“AUM”) represent investment funds and discretionary and non-discretionary portfolio assets managed by the Company in its capacity as the Fund Manager. As at 30 June 2020, AUM amounted to SAR 4.54 billion (30 June 2019 SAR 2.5 billion).

The funds under management of the Company are as follows:

- Ashmore Saudi Equity Fund
- Ashmore GCC Diversified Trade Fund
- Ashmore GCC Education Fund
- Ashmore Saudi Food Fund
- Ashmore Short Duration Fund
- Ashmore Investment Fund 3
- Ashmore Health Care Fund

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales was reported on the valuation day are valued at the most recent bid price. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2020 and 30 June 2019, no financial assets or liabilities were measured at FVTIS or FVOCI.

The fair values of financial assets and liabilities are 3not materially different from their carrying values at the statement of financial position as at 30 June 2020 and 30 June 2019 as these are generally short-term in nature. These are all categorised at level 3.

22. EVENTS AFTER THE END OF REPORTING PERIOD

As detailed in note 1 to the financial statements, during the year Ashmore Investments (UK) Ltd, decided to acquire all the outstanding shares held by Dr. Khalid Al Sweilem at a mutually agreed price. As at 30 June 2020, the transfer of the shareholding was still in progress with the relevant regulatory authorities and subsequent to year end, the transaction was completed in September 2020.

Apart from the above, there are no events subsequent to the statement of financial position date which require adjustments or disclosure in the financial statements or notes thereto.

23. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved by the Board of Directors on 9 Rabi al-Awal 1442H (corresponding to 26 October 2020).