

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
Managed by
Ashmore Investment Saudi Arabia
FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with the
Independent auditor's report

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For the year ended 31 December 2019

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Independent auditor's report

To the unitholders of Ashmore Saudi Equity Fund

Opinion

We have audited the financial statements of **Ashmore Saudi Equity Fund** ("the Fund"), managed by Ashmore Investment Saudi Arabia ("the Fund Manager"), which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 *Auditor's 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 to comply 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, the Fund Board, are responsible for overseeing the Fund's financial reporting process.



Independent auditor's report

To the unitholders of Ashmore Saudi Equity Fund (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 Fund Manager'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 **Ashmore Saudi Equity Fund** ("the Fund").

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371



12 Sha'ban 1441H
Corresponding to: 5 April 2020

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
 Managed by
Ashmore Investment Saudi Arabia
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Amounts in SAR)

	<i>Note</i>	31 December 2019	31 December 2018
<u>ASSETS</u>			
Cash and cash equivalents		879,001	49,611
Investments measured at fair value through profit or loss (FVTPL)	7	22,050,852	28,169,727
Dividend receivable		--	43,174
Total assets		22,929,853	28,262,512
<u>LIABILITY</u>			
Trade payable		107,829	--
Accrued expenses	8	51,355	71,677
Total liabilities		159,184	71,677
Net assets (equity) attributable to the unitholders		22,770,669	28,190,835
Units in issue (numbers)		1,692,107	2,578,600
Net assets (equity) value attributable to each unit – IFRS	16	13.4570	10.9326
Net assets (equity) value attributable to each unit – Dealing	16	13.4570	10.9326

The accompanying notes (1) to (18) form an integral part of these financial statements.

ASHMORE SAUDI EQUITY FUND
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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Amounts in SAR)

<u>INCOME</u>	<u><i>Notes</i></u>	<u>2019</u>	<u>2018</u>
Net gains on investments measured at FVTPL	9	5,613,409	3,287,200
Dividend income		862,820	1,053,941
		<u>6,476,229</u>	<u>4,341,141</u>
<u>EXPENSES</u>			
Management fee	10,11	412,131	366,245
Custody fee	10,11	24,728	141,750
Administration fee	10,11	14,837	141,750
Other expenses	12	92,530	90,083
		<u>544,226</u>	<u>739,828</u>
Net income for the year		5,932,003	3,601,313
Other comprehensive income		--	--
Total comprehensive income for the year		<u>5,932,003</u>	<u>3,601,313</u>

The accompanying notes (1) to (18) form an integral part of these financial statements.

ASHMORE SAUDI EQUITY FUND
(An open-ended mutual fund)
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STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNITHOLDERS
For the year ended 31 December 2019
(Amounts in SAR)

	<u>2019</u>	<u>2018</u>
Net assets (equity) attributable to the unitholders at beginning of the year	28,190,835	24,588,377
Net income for the year	5,932,003	3,601,313
Proceeds from issuance of units	--	44,118
Payment for redemption of units	<u>(11,352,169)</u>	<u>(42,973)</u>
Net assets (equity) attributable to the unitholders at end of the year	<u>22,770,669</u>	<u>28,190,835</u>

UNITS TRANSACTIONS

Transactions in units for the year are summarised as follows:

	<u>2019</u> <i>(In numbers)</i>	<u>2018</u> <i>(In numbers)</i>
Units at beginning of the year	2,578,600	2,578,600
Units issued	--	4,058
Units redeemed	<u>(886,493)</u>	<u>(4,058)</u>
Units at end of the year	<u>1,692,107</u>	<u>2,578,600</u>

The accompanying notes (1) to (18) form an integral part of these financial statements.

ASHMORE SAUDI EQUITY FUND
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STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(Amounts in SAR)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		5,932,003	3,601,313
<i>Adjustments to reconcile net income to net cash generated from / (used in) operating activities:</i>			
Unrealised gains on investments measured at FVTPL	9	<u>(1,882,430)</u>	<u>(367,520)</u>
		4,049,573	3,233,793
Net changes in operating assets and liabilities			
Decrease / (increase) in investments measured at FVTPL	7	8,001,305	(3,996,709)
Decrease / (increase) in dividend receivable		43,174	(43,174)
Increase in trade payable		107,829	--
(Decrease) / increase / in accrued expenses	8	<u>(20,322)</u>	<u>7,191</u>
Net cash generated from / (used in) operating activities		12,181,559	(798,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of units		--	44,118
Payments for redemption of units		<u>(11,352,169)</u>	<u>(42,973)</u>
Net cash (used in) / generated from financing activities		(11,352,169)	1,145
Net decrease in cash and cash equivalents		829,390	(797,754)
Cash and cash equivalents at beginning of the year		<u>49,611</u>	<u>847,365</u>
Cash and cash equivalents at end of the year		<u>879,001</u>	<u>49,611</u>

The accompanying notes (1) to (18) form an integral part of these financial statements.

ASHMORE SAUDI EQUITY FUND
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Managed by
Ashmore Investment Saudi Arabia
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. THE FUND AND ITS ACTIVITIES

Ashmore Saudi Equity Fund (“the Fund”) is an open-ended investment fund established and managed through an agreement between Ashmore Investment Saudi Arabia (“the Fund Manager”) and investors (“the Unitholders”). The Capital Market Authority (“CMA”) approval for the establishment of the Fund was granted in its letter dated 30 Safar 1436H (corresponding to 22 December 2014). The Fund commenced its operations on 10 Rabi al-awwal 1436H (corresponding to 5 January 2015).

The Fund’s investment objective is to achieve over the medium to long-term capital growth by investing in a diversified portfolio of equities of companies listed on the Saudi Stock Exchange (“the Tadawul”). The Fund benchmarks its performance to Tadawul and aims to provide comparatively better returns to the unitholders.

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

The custodian, administrator and registrar of the Fund is HSBC Saudi Arabia.

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by CMA.

3. SUBSCRIPTION / REDEMPTION OF UNITS (DEALING DAY AND VALUATION DAY)

The Fund is open for subscriptions / redemptions every business day (each a “Dealing Day”) and performs valuations every Monday and Wednesday (each a “Valuation Day”). The “cut off” time for subscriptions / redemptions is 1:00pm of every Valuation Day. In case the Valuation and Dealing Day happen to fall on a day which is a public holiday in the Kingdom of Saudi Arabia, the Valuation, Dealing and Redemption Day will be on the immediate next Valuation and Dealing Day. The unit price on subscription or the unit price on redemption is represented in the Net Assets (Equity) Value (“NAV”) per unit calculated by the administrator on the next Valuation Day on which the units were subscribed or redeemed for.

The NAV of the Fund for the purpose of purchase or redemption of units is calculated by subtracting from the value of the Fund’s total assets value the amount of the Fund’s total liabilities. The unit price is determined by dividing such resulting figure by the total number of outstanding units on the relevant Valuation Day. The unit price upon commencement of subscriptions was SAR 10.

ASHMORE SAUDI EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS
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4. BASIS OF PRESENTATION

4.1 *Statement of compliance*

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

4.2 *Basis of measurement*

The financial statements have been prepared on a historical cost basis (except for investments measured at 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 line items in the statement of financial position have been presented in the order of liquidity.

4.3 *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

4.4 *Use of estimates and judgements*

The preparation of these 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 the Fund Manager to exercise its judgement in the process of applying the Funds’ accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice 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.

5. 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 the years presented.

Revenue recognition

Net gains on investments measured at FVTPL

Net gains on investments measured at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences (if any), but excludes special commission and dividend income, and dividend expense on securities sold short.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Dividend income

Dividend income is recognised in 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 comprehensive income in a separate line item.

Fees and other expenses

Fees and other expenses are recognised in comprehensive income as the related services are received.

Zakat and 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 recognised in the statement of comprehensive income.

Financial assets and financial liabilities

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 profit or loss. Financial assets not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or 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 commission on the principal amount outstanding.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

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 commission 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.

All other financial assets are classified as measured at FVTPL.

As at 31 December 2019 and 2018, the Fund's financial assets measured at amortised cost (i.e. cash and cash equivalent and dividends receivable) and investments measured at FVTPL.

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 the information is provided to the Fund Manager.

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 commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Special commission' 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 commission, 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.

Reclassifications

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

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Derecognition

The Fund derecognises 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 derecognised) 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 recognised in OCI is recognised in profit or loss.

Transactions in which the Fund transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

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 recognise 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.

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

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund 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 similar investment transactions such as in the Fund's trading activity.

Cash and cash equivalents

Cash and cash equivalents 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.

Fair value measurement

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.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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 period during which the change has occurred.

Subscription and redemption on 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.

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.

Net assets (equity) value

Net assets (equity) value per unit, as disclosed in the statement of financial position is calculated by dividing the net assets (equity) of the Fund by the numbers of units in issue as at the period end.

6. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD

Impact of adopting new accounting policies

The following new standards, amendments and revisions to existing standards have been effective from 1 January 2019 and accordingly adopted by the Fund, as applicable:

<u>Standard / Amendments</u>	<u>Description</u>
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3, IFRS 11, IAS 12 and IAS 23	Annual Improvements to IFRS 2015 - 2017 cycle

The adoption of the above new standards, amendments and revisions to existing standards applicable to the Fund did not have any significant impact on these financial statements.

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(Amounts in SAR)

6. IMPACT OF CHANGE IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARD (CONTINUED)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these standards when they become effective and does not expect significant impact to the financial statements.

<i>Standard / Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2022

7. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments measured at FVTPL represent investments in equity securities listed on Tadawul in various industry sectors as follows:

	<u>31 December 2019</u>	
	<u>Cost</u>	<u>Fair value</u>
Banking	7,956,400	9,195,230
Industry	1,910,695	2,486,424
Retail	1,702,792	1,839,266
Food and beverages	1,651,886	1,580,203
Healthcare	1,511,961	1,473,223
Insurance	1,391,095	1,468,950
Energy	1,100,540	1,389,688
Material	801,858	1,121,235
Consumer services	787,169	801,726
Real estate	619,814	694,907
	<u>19,434,210</u>	<u>22,050,852</u>
	<u>31 December 2018</u>	
	<u>Cost</u>	<u>Fair value</u>
Banking	9,626,089	11,758,331
Consumer services	3,858,690	3,594,056
Material	3,946,192	3,557,385
Food and beverages	3,659,004	3,046,233
Healthcare	2,985,153	2,796,967
Insurance	1,896,462	2,393,388
Industry	1,463,926	1,023,367
	<u>27,435,516</u>	<u>28,169,727</u>

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(Amounts in SAR)

8. ACCRUED EXPENSES

	31 December 2019	31 December 2018
Management fee	28,224	29,951
Custody fee	1,693	11,250
Administration fee	1,016	11,250
Audit fee	12,862	11,613
Other accrued expenses	7,560	7,613
Total accrued expenses	51,355	71,677

9. NET GAINS ON INVESTMENTS MEASURED AT FVTPL

	31 December 2019	31 December 2018
Realised gains	3,730,979	2,919,680
Unrealised gains	1,882,430	367,520
	5,613,409	3,287,200

10. TRANSACTIONS WITH RELATED PARTIES

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

The Fund does not charge any subscription fee on subscription of units and redemption fees on redemption of units. Other expenses paid by the Fund Manager on the behalf of the Fund are recharged to the Fund as they are incurred.

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

	Nature of transaction	Transactions		Balance	
		For the year ended 31 December 2019	For the year ended 31 December 2018	31 December 2019	31 December 2018
Related party					
The Fund Manager	Management fee	412,131	366,245	28,224	29,951
The Fund Board	Board remuneration	10,000	10,000	--	--
HSBC Saudi Arabia	Custody fees	24,728	141,750	1,693	11,250
(Custodian, administrator and registrar of the Fund)	Administration fee	14,837	141,750	1,016	11,250
	Registration fee	16,656	17,162	1,496	1,313

As at 31 December 2019 and 2018, Ashmore Management Company Limited, an affiliate of the Fund Manager holds 1,692,107 units.

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(Amounts in SAR)

11. MANAGEMENT FEE AND OTHER FEES

The Fund pays management fee calculated at an annual rate of 1.25 percent per annum of the Fund's equity attributable to unitholders. This management fee is accrued daily and paid on a monthly basis. As per the Terms and Conditions of the Fund.

The Fund pays custody fee, administration fee and registration fee to HSBC Saudi Arabia limited who is the custodian, administrator and registrar of the Fund. These fees are calculated based on slab percentages linked to net assets (equity) value of the Fund subject to stated minimum fee.

12. OTHER EXPENSES

	<u>2019</u>	<u>2018</u>
Professional fee	26,250	26,250
Transaction fee	26,874	23,921
Registration fee	16,656	17,162
Board remuneration	10,000	10,000
CMA fee	7,500	7,500
Tadawul charges	5,250	5,250
	<u>92,530</u>	<u>90,083</u>

13. RISK MANAGEMENT POLICIES

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

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

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

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 units of equity shares of listed company.

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 on a semi-annual basis.

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.

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

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13. RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk for its cash and cash equivalents and dividend receivable. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

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

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

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

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	31 December <u>2019</u>	31 December <u>2018</u>
Cash and cash equivalents	879,001	49,611
Dividend receivable	--	43,174
Total exposure to credit risk	<u>879,001</u>	<u>92,785</u>

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.

Liquidity risk

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

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions. As at 31 December 2019 and 2018, the Fund's cash and cash equivalents, investments measured at FVTPL, and dividends receivable are considered to be short-term in nature and readily realisable. The Fund Manager monitors liquidity requirements on a regular basis and seeks to ensure that funds are available to meet commitments as they arise.

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13. RISK MANAGEMENT POLICIES (CONTINUED)

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.

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices.

The Fund’s investments are susceptible to equity price risk arising from uncertainties about future prices. The Fund Manager manages this risk through diversification of its investment portfolio in terms of geographical distribution and industry concentration

Sensitivity analysis

The table below sets out the effect on equity attributable to the unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular commission and foreign currency rates, remain constant.

	December 2019		December 2018	
<i>Net gain / (loss) on investments measured at FVTPL</i>	+ 5%	1,102,543	+ 5%	1,408,486
	- 5%	(1,102,543)	- 5%	(1,408,486)

14. 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. 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 are accessible by the Fund.

Financial instruments comprise financial assets and financial liabilities. The Fund’s financial assets consist of financial assets held at FVTPL, and financial assets measured at amortize cost.

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14. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below presents the investments measured at their fair values as of reporting date based on the fair value hierarchy:

31 December 2019					
	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at FVTPL	22,050,852	22,050,852	--	--	22,050,852
Total	22,050,852	22,050,852	--	--	22,050,852
31 December 2018					
	<u>Carrying Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at FVTPL	28,169,727	28,169,727	--	--	28,169,727
Total	28,169,727	28,169,727	--	--	28,169,727

During the year, there were no transfers between the fair value levels.

The carrying amounts of the financial assets such as cash and cash equivalents and dividend receivable approximate fair value because of their short-term nature and the high credit quality of counterparties. The carrying amount of the trade payable and accrued expenses approximate fair value because of its short-term nature. These financial instruments are categorised as level 3.

15. LAST VALUATION DAY

The last valuation day of the year was 31 December 2019 (2018: 31 December 2018).

16. NET ASSETS (EQUITY) VALUE

The 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.

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17. SUBSEQUENT EVENTS

Since early January 2020, the coronavirus (“COVID-19”) outbreak has spread across globally, causing disruption to business and economic activity. The COVID-19 pandemic has significantly impacted the stock markets around the world to date and may continue to do so in the coming months of 2020, whereby potentially impacting the earnings and cash flows of the Fund. The Fund Manager considers this outbreak to be a non-adjusting post balance sheet event. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Fund Manager will evaluate the potential impacts to the Fund and respond accordingly.

18. DATE OF AUTHORISATION

These financial statements were authorized for issue by the Fund Board on 9 Sha’ban 1441H (corresponding to 2 April 2020).