



A) Investment Fund Information

1) Name of investment fund

ALBILAD Saudi Sovereign Sukuk ETF

2) Investment objectives, policies and polices

Albilad Saudi Sovereign Sukuk ETF seeks to track the performance of the Al-Bilad Ideal Ratings Saudi Domestic Sukuk Index, which consists of Saudi sovereign sukuk denominated in the Saudi riyal and listed on the main Saudi Stock Exchange (Tadawul) and linked to a market maker, with the remaining maturity of 3 months or more

3) Distribution of income and gain policy

The fund shall distribute the cash surplus represented by the returns received from the sukuk in the form of monthly distributions to the unit holders registered in the register of unit holders on the last working day of the month (maturity date). Profits will be distributed within ten working days after the end of the last working day of the month (the date of distribution). The fund manager has the right not to distribute cash if no dividends are received from the sukuk

4) the fund's Reports are available upon request free of charge

5) Description of the fund's benchmark and the service provider's website (if any)

a component of the Saudi sovereign sukuk denominated in the Saudi riyal and listed on the main Saudi stock exchange (Tadawul) and linked to a market maker, with a remaining maturity of 3 months or more.

B) Fund Performance

1) Comparative table covering the last 3 financial years (or since inception)

	2021	2022	2023
the fund net assets value at the end of each financial year	173,507,206	121,874,960	92,248,504
the fund net assets value per unit at the end of each financial year	9.53	8.64	8.46
highest net asset value per unit for each financial year.	10.15	9.58	9.13
lowest net asset value per unit for each financial year.	9.52	8.50	8.32
the number of units in issue at the end of each financial year.	18,200	14,100	10,900
income distribution per unit	0.23	0.22	0.29
expense ratio.	0.31%	0.39%	0.35%
Percentage of borrowed assets from the total asset value,	-	-	-
the period of their exposure period and due date (if any)	-	-	-
Results of comparing the performance of the benchmark with the performance of the fund	-1.43%	0.90%	-1.26%

For more information contact us at:

Asset Management
Telephone: +966 11 2039888
Fax: +966 11 2039899
Website: <http://www.albilad-capital.com/En/AssetManagement>

Albilad Capital Headquarters:

Telephone: +966 920003636
Fax: +966 11 2906299
PO Box: Riyadh 12312– 3701, Saudi Arabia



Disclaimer: Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2023© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007

ALBILAD SAUDI SOVEREIGN SUKUK ETF

2. Performance Record

* Trading date for the fund was August 2019

A) The total return for one year, three years and five years (and since inception (where applicable))

	1Year	3 Years	5 Years	Since Inception
total return	-2.13%	-15.7%	-	-15.4%

B) The Annual total return for each of the last 10 financial years (or since inception)

	Since Inception	2020	2021	2022	2023
Annual total return	-15.4%	0.4%	-5.1%	-9.2%	-2.13%

C) A Table showing actual fees and fund expenses paid by the investment fund during the year. The Total Expense Ratio should also be clearly disclosed. If there are any circumstances in which a fund manager may elect to waive or rebate any fees, this must also be disclosed.

	Net Value	Expenses Ratio to Average NAV
Subscription Fees	-	0.00%
Management Fees	89,810	0.08%
Purification Fees	-	0.00%
Audit Fees	25,000	0.02%
Custody Fees	58,697	0.05%
Board Member Remuneration	4,000	0.00%
Publishing Fees	-	0.00%
Regulatory Fees	-	0.00%
Benchmark Fees	-	0.00%
VAT	52,827	0.05%
Dealing Expenses	-	0.00%
Fund Administration Fees	-	0.00%
Other Expenses	42,500	0.04%
Edaa Expenses	82,174	0.07%
Listing Fees	50,000	0.04%
Total Expenses	405,008	0.35%

Fund Manager did not waive any fees during 2023

3. If there were material changes that occurred during the period and that affected the performance of the fund, these changes must be clearly disclosed

Not applicable

4. Disclosure of the exercise of annual voting rights and it must include the issuer's name and the date of the General Assembly and the subject of the vote and the decision to vote (agree / disagree / abstain from voting)

No general assembly has been attended.

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5) The fund's board annual report including but not limited to:

A) Names of the fund board members, and indicating membership type

1- Zaid bin Muhammad Saad Al-Mufraih	non-independent Chairman of the Board of Directors
2- Haytham bin Sulaiman Al-Suhaimi	non-independent member of the Board of Directors
3- Waleed Bin Ateeq	independent member of the Board of Directors
4- Omar Ali Bassal	independent member of the Board of Directors

B) A brief about the fund board member's qualifications.

1. Mr. Zaid bin Muhammad Saad Al-Mufraih (Chairman of the Board of Directors)

Country Chief Financial Officer, more than 15 years of experience in the financial markets. He previously held several leadership positions in the banking and financial services sector in the Kingdom, through which he gained experience to lead investment organizations through the tasks and responsibilities assigned to him professionally and professionally.

2. Mr. Haytham bin Sulaiman Al-Suhaimi (non-independent member of the Board of Directors)

He holds a master's degree in investment science and financing risks from the University of Westminster in London, United Kingdom, held several positions in management work at SAPIN UAE, and subsequent experiences since 2015 in Jadwa Investment and then Albilad Capital as a financial analyst in investment banking, private equity and business development. (Member of the Board of Directors and Vice President of Business Development at Albilad Capital)

3. Waleed Bin Ateeq (independent member of the Board of Directors)

Masters in finance from Saint Mary's University in Canada, and Bachelors in Economics with a Minor in Business Administration from The Ohio State University in the United States of Albilad MSCI US Tech ETF 46 America. More than 16 years of experience in finance, investment, insurance and risk management. He held several positions as Insurance Supervisor at the Saudi Central Bank (SAMA), Senior Investment Performance Analyst at the Saudi Central Bank (SAMA), Chief Financial Officer at Allianz Saudi Fransi Cooperative Insurance Company, and currently serves as Deputy Chief Financial Officer at Saudi Re Cooperative Reinsurance Company.

4. Mr. Omar Ali Bassal (independent member of the Board of Directors)

Master of Business Administration, Financial Management and Statistics, with honours, Mr. Omar has more than ten years of experience in the financial field and is currently the Director of Asset Management at the Mohammed Ibrahim Al-Subaie & Sons Company.

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C) Description of the roles and responsibilities.

The responsibilities of the fund's board members include, but are not limited to the following:

- Approval of all substantial contracts, decisions and reports to which the fund is a party, including, but not limited to, approval of contracts for the provision of management services to the fund and custody services contracts. This does not include contracts concluded in accordance with investment decisions regarding any investments made or to be made by the fund. In the future.
- Adopting a written policy regarding voting rights related to the fund's assets
- Approval of the appointment of the fund's external auditor to be nominated by the fund manager
- Supervising and, when appropriate, approving and approving any conflicts of interest disclosed by the fund manager
- Meeting at least twice annually with the Fund Manager's Compliance and Compliance Committee or its Compliance Officer to review the fund's compliance with all relevant laws, regulations and regulations.
- Ensuring the probability and accuracy of the terms and conditions of the fund, the information memorandum, and any other document (whether it is a contract or otherwise) that includes disclosures related to the fund, the fund manager and its management of the fund, in addition to ensuring that the foregoing is consistent with the provisions of the investment funds regulations.
- Ensure that the fund manager carries out his responsibilities in the interest of unit holders in accordance with the provisions of the investment funds regulations, the fund's terms and conditions and the information memorandum.
- Ensure that the fund manager is committed to disclosing material information for unit holders and other stakeholders
- Acting with honesty, good faith, concern, skill, diligence and diligence for the benefit of the fund and the unit holders. The duties of fund include the duty of sincerity, attention and reasonable diligence.
- Record meeting minutes showing the proceedings of the meetings and the decisions taken by the council.

D) Details on the remuneration of the fund board members

All independent board members of the fund board shall be granted a remuneration of SAR 40,000 annually maximum . (SAR 20,000 per independent member) for all meetings attended during the year for funds' managed by Albilad Capital, distributed equally on all mutual funds except Real estate funds. Remuneration shall be calculated on every valuation date cumulatively and will be deducted and paid once a year.

E) A statement of any conflict or potential conflict of interest between the interests of a fund board member and the interests of the fund.

There are no practical activities or interests of the fund manager or members of its board of directors that are likely to conflict with their responsibilities or performance towards the fund, and if any, they will be disclosed.

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ALBILAD SAUDI SOVEREIGN SUKUK ETF

F) A statement showing all the funds boards that the relevant board member is participating in.

Fund Name	Zaid Al-mufarih	Haytham Al-Suhaimi	Waleed Bin Ateeq	Omar Bassal
Albilad Pure Saudi Equity Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad SAR Murabaha Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Saudi Income Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad GCC Income Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Fund of REIT Funds	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Nusaned Fund	-	Non-independent member	-	-
Albilad Saudi Sovereign Sukuk ETF	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Gold ETF	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Diversified SAR Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad MSCI US Equity ETF	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad MSCI US TEC ETF	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Multi Assets Balanced Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Freestyle Saudi Equity Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad MSCI Saudi Growth ETF	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Albilad Sukuk Fund	Chairman of Board of Directors	Non-independent member	Independent member	Independent member
Ensan Endowment Investment Fund	Chairman of Board of Directors	-	Independent member	-
Albilad Hospitality Fund in Makkah Al-Mukarramah	-	Chairman of Board of Directors	-	-
Dahia Investment Fund	-	Chairman of Board of Directors	-	-
THE SECOND COMMERCIAL COMPLEX FUND	-	Chairman of Board of Directors	-	-
Real Estate Projects Fund	-	Non-independent member	-	-
Muzdalifah Mall Real Estate Fund	-	Chairman of Board of Directors	-	-
Safa Najd Fund	-	Chairman of Board of Directors	-	-
Bilad Alawali Real Estate Fund II	-	Chairman of Board of Directors	-	-
Albilad Abhur Real Estate Fund	-	Chairman of Board of Directors	-	-

G)
The

topics discussed and issued resolutions, as well as the fund performance and fund achievement of its objective

Two board meeting were held during 2023. The first meeting take place at 19 July 2023 and the second meeting was at December 25, these are most points were discussed:

- The latest developments in the local and the global markets.
- Fund performance
- Fund board evaluation

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C) Fund Manager

1) Name and address of the fund manager

Al-Bilad Investment Company "Al-Bilad Capital

King Fahd Branch Road - OLAYA 8162

Unit No. 22

Riyadh 12313-3701

Saudi Arabia.

Phone: 8001160002 Fax: (966+) 112906299

Al-Bilad Investment Company website: www.albilad-capital.com

2) Names and addresses of sub-manager and/or investment advisor (if any)

Not applicable

3) Review of the investment activities during the period

During the year the fund mainly invested in Saudi sovereign sukuk denominated in Saudi riyals and listed on the Saudi market (Tadawul), and approved by the Shariah Board of the fund manager.

4) A report of investment fund performance during the period

The benchmark's performance during the period was better than the fund's performance by 1.26%. Where the fund achieved -2.13% in comparison with the benchmark's performance which achieved -0.88%

5) Details of any material changes to the Fund's Terms and Conditions

Include provisions that promote adherence to the rules of zakat collection from investors in investment funds.

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ALBILAD SAUDI SOVEREIGN SUKUK ETF

6) Any other information that would enable unitholders to make an informed judgement about the fund's activities during the period

Not applicable

7) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period

Not applicable

8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized

Not applicable

9) Any other data and other information required by these Regulations to be included in this report.

Not applicable

10) Period for the management of the person registered as fund manager

Since August - 2019.

11) A disclosure of the expense ratio of each underlying fund at the end of year and the weighted average ratio of all underlying funds that invested in

Not applicable

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D) Custodian

1) Name and address of custodian

Riyad Capital is a company licensed under the Capital Market Authority License No. (07070-37)

Granada Oasis

2414 Al-SHUHADA District, Unit No. 69

Riyadh 13241-7279,

Saudi Arabia

Phone: +4865898/966114865866

Fax: +966114864859

Email: rcss@riyadcapital.com

2) Brief description of its duties and responsibilities

- The custodian is responsible for his obligations in accordance with the provisions of the Investment Funds Regulations, whether he performs his responsibilities directly or entrusts them to a third party under the provisions of the Investment Funds Regulations and the Saudi Stock Exchange Institutions Regulations. The custodian is responsible towards the fund manager and unit holders for the losses of the fund resulting from its fraud, negligence, misconduct or intentional default.
- The custodian is responsible for preserving and protecting the fund's assets for the benefit of the unit holders, and he is also responsible for taking all necessary administrative procedures in relation to preserving the fund's assets.
- The fund's assets are owned by the fund's unit holders collectively, and it is not permissible for the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor to have any interest in the fund's assets or any claim therein, unless the fund manager or manager is The sub-fund, the custodian, the sub-custodian, the advising provider, or the distributor is the owner of the fund's units, within the limits of its ownership, or these claims were permitted under the provisions of the investment funds regulations and to be disclosed in the terms and conditions
- With the exception of the fund units owned by the fund manager, sub-fund manager, custodian, sub-custodian, counselor or distributor, and within the limits of what the debtor owns, the creditors of the fund manager, sub-fund manager, custodian or custodian, counselor or distributor may have no right to any claims or dues in the fund's money or assets

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E) Fund Operator

1) Name and address of Fund Operator

Albilad Investment Company "Albilad Capital"

8162 King Fahd Branch Road - Olaya

Unit No. 22

Riyadh 12313-3701

Kingdom of Saudi Arabia.

Telephone: 8001160002 FAX: +966112906299

2) Brief description of its duties and responsibilities

1. The fund operator must establish a register of unitholders and must maintain it in the Kingdom.
2. The fund operator must maintain at least the following information in the register:
 - The name, address and contact numbers of each unitholder
 - The national identification number, residence number (Iqama), passport number or commercial registration number of the unitholder when applicable, or any other identification as determined by the Authority
 - The nationality of the unitholder
 - The date on which the unitholder was registered in the register
 - Details of all transactions in relation to units conducted by each unitholder
 - The current balance of the number of units (including fractions of a unit) held by each unitholder
 - Any restriction or right attached to units owned by the unitholder

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ALBILAD SAUDI SOVEREIGN SUKUK ETF

3. The fund operator must update the register of unitholders immediately to reflect changes to information referred to in Paragraph 2 above
4. The fund operator shall be responsible for the process of dividends distribution to unitholders.
5. The fund operator must process requests for subscriptions or redemption at the price calculated at the next valuation point following the deadline for submission of requests for subscription or redemption.
6. A fund operator must be obliged to meet subscription or redemption requests, subject to any provisions to the contrary in the public Fund's Terms and Conditions or in these Regulations.
7. The fund operator must pay the unitholder proceeds of redemption no later than the close of business on the fifth day at the latest of the following the valuation point at which the price for the redemption was determined.
8. The fund operator shall be responsible for valuing the assets of the public fund. In so doing, the fund operator shall conduct a full and fair valuation.
9. The assets of a public fund must be valued by the fund operator each dealing day at such time as specified in the Terms and Conditions of such public fund, and for the duration not exceeding one day from the deadline for submission of requests for subscription or redemption.
10. The fund operator must comply with the provisions of Annex (5) of these Regulations in relation to valuation of the public funds.
11. The fund operator shall be responsible for calculating the price of the units in a public fund that it operates. The price of units for subscriptions and redemptions on any dealing day shall be calculated by reference to the net asset value per unit of the public fund at the valuation point on the relevant dealing day.
12. The fund operator must state the Unit prices to at least four decimal places.
13. The fund operator must record each instance where an asset of the public fund is valued incorrectly or the price of a unit is calculated incorrectly
14. The fund operator must compensate all harmed unitholders (including former unitholders) as soon as reasonably practicable for all valuation or pricing errors

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E) Auditor

1) Name and address of auditor

PricewaterhouseCoopers

Kingdom of Saudi Arabia P.O. B. 8282 Riyadh 11482

Phone: +966112110400

Fax: +966112110401

Website: www.pwc.com

F) Financial Statements

Financial statements for the annual accounting period of the investment fund has been prepared in accordance with SOCPA standards. (Financial Statements attached)

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**ALBILAD SAUDI SOVEREIGN SUKUK ETF
(AN OPEN ENDED EXCHANGE TRADED FUND
MANAGED BY ALBILAD INVESTMENT COMPANY)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS AND THE FUND MANAGER**

FOR THE YEAR ENDED 31 DECEMBER 2023

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
(AN OPEN ENDED EXCHANGE TRADED FUND MANAGED BY ALBILAD INVESTMENT COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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Independent auditor's report to the unitholders and Fund Manager of Albilad Saudi Sovereign Sukuk ETF

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Albilad Saudi Sovereign Sukuk ETF (the "Fund") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to the unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund and Fund Manager in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matter	Valuation of investments at fair value through statement of income (FVSI)
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where Fund Manager made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Fund, the accounting processes and controls, and the industry in which the Fund operates.



Independent auditor's report to the unitholders and Fund Manager of Albilad Saudi Sovereign Sukuk ETF (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of investments at fair value through statement of income ("FVSI")</p> <p>As at 31 December 2023, the Fund held investments in listed sukuk amounting to Saudi Riyals 91.8 million which have been classified as held at fair value through statement of income ("FVSI"). These investments are carried at fair value with the corresponding fair value change recognized in the statement of income. The fair value of these investments is determined through obtaining market observable prices, as these are actively traded.</p> <p>The valuation of the Fund's investments at FVSI is considered a key audit matter due to the significance of such investments to the Fund's financial statements.</p> <p><i>Refer to Note 2.5.2 to the accompanying financial statements for the accounting policy of investments and Note 4 for related disclosure of investments held at FVSI.</i></p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none">• Agreed the carrying value of investments held at FVSI to the underlying list of investments;• Obtained market prices as at 31 December 2023 from external sources for a sample of investments held by the Fund, recalculated the fair value of these investments as at 31 December 2023 and compared these to the values included in the list of investments; and• Assessed the adequacy of the disclosures in the financial statements.

Other information

Fund Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Fund Manager and Those Charged with Governance for the financial statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as 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, 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 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, i.e. the Fund Board, is responsible for overseeing the Fund's financial reporting process.

Independent auditor's report to the unitholders and Fund Manager of Albilad Saudi Sovereign Sukuk ETF (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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of 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, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers



Mudaffal A. Ali
License Number 447

28 March 2024



ALBILAD SAUDI SOVEREIGN SUKUK ETF
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	As at 31 December 2022
Assets			
Cash and cash equivalents	3, 5	616,185	633,170
Investments held at fair value through statement of income (FVSI)	4	91,852,232	121,339,953
Prepayments		1,202	15,838
Total assets		92,469,619	121,988,961
Liabilities			
Accrued management fee	5	24,165	17,393
Accruals and other liabilities		196,951	19,622
Dividend payable		-	76,986
Total liabilities		221,116	114,001
Equity attributable to the unitholders		92,248,503	121,874,960
Units in issue		10,900,000	14,100,000
Equity per unit in Saudi Riyals		8.4632	8.6436

The accompanying notes from 1 to 14 form an integral part of these financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Income / (loss)			
Special commission income on investments held at FVSI	4	4,001,573	4,485,858
Unrealised loss on revaluation of investments held at FVSI	4	(4,418,169)	(11,115,356)
Realised gain on sale of investments held at FVSI		2,316,977	(1,757,317)
Total income / (loss)		1,900,381	(8,386,815)
Expenses			
Management fee	5	(109,506)	(149,027)
Custody fee	5	(58,697)	(78,421)
Other expenses	6	(236,806)	(243,082)
Total expenses		(405,009)	(470,530)
Net income / (loss) for the year		1,495,372	(8,857,345)
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		1,495,372	(8,857,345)
Earnings Per Unit			
Weighted average number of units in issue		13,464,932	15,063,014
Earnings per unit in Saudi Riyals (Basic and diluted)		0.1111	(0.5880)

The accompanying notes from 1 to 14 form an integral part of these financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Equity attributable to the unitholders at the beginning of the year		121,874,960	173,507,206
Changes from operations			
Total comprehensive income / (loss) for the year		1,495,372	(8,857,345)
Changes from unit transactions			
Proceeds from issuance of units		6,213,050	-
Payment against redemption of units		(33,364,070)	(38,151,190)
Net change from unit transactions		(27,151,020)	(38,151,190)
Dividend distribution	7	(3,970,809)	(4,623,711)
Equity attributable to the unitholders at the end of the year		92,248,503	121,874,960

Transactions in units are summarized as follows:

	For the year ended 31 December	
	2023	2022
Units at the beginning of the year	14,100,000	18,200,000
Units issued	700,000	-
Units redeemed	(3,900,000)	(4,100,000)
Net change in units	(3,200,000)	(4,100,000)
Units at the end of the year	10,900,000	14,100,000

The accompanying notes from 1 to 14 form an integral part of these financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Cash flows from operating activities			
Net income / (loss) for the year		1,495,372	(8,857,345)
Adjustments to reconcile net income / (loss) to net cash generated from operating activities:			
- Unrealised lossn on investments held at FVSI	4	4,418,169	11,115,356
- Special commission income on investments held at FVSI	4	(4,001,573)	(4,485,858)
		<u>1,911,968</u>	<u>(2,227,847)</u>
Net changes in operating assets and liabilities			
Investments held at FVSI		24,739,573	39,688,739
Prepayments		14,636	(8,072)
Accrued management fee		6,772	648
Accruals and other liabilities		177,329	(61,896)
Cash generated from operations		<u>26,850,279</u>	<u>37,391,572</u>
Profit received on investment in sukuk	4	4,331,551	4,854,907
Net cash generated from operating activities		<u>31,181,830</u>	<u>42,246,479</u>
Cash flows from financing activities			
Proceeds from issuance of units		6,213,050	-
Payment against redemption of units		(33,364,070)	(38,151,190)
Dividend paid	7	(4,047,795)	(4,546,725)
Net cash used in financing activities		<u>(31,198,815)</u>	<u>(42,697,915)</u>
Net change in cash and cash equivalents			
		(16,985)	(451,436)
Cash and cash equivalents at the beginning of the year		<u>633,170</u>	<u>1,084,606</u>
Cash and cash equivalents at the end of the year	3	<u>616,185</u>	<u>633,170</u>

The accompanying notes from 1 to 14 form an integral part of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Albilad Saudi Sovereign Sukuk ETF (the “Fund”) is an open-ended exchange traded fund, managed by Albilad Investment Company (the “Fund Manager”), a subsidiary of Bank Albilad (the “Bank”) for the benefit of the Fund’s unitholders (the “unitholders”). The objective of the Fund is to seek to simulate the performance of Albilad Ideal Ratings sovereign Sukuk index, which includes Saudi Riyals denominated Sukuk, listed in the Saudi Stock Exchange (Tadawul), with a maturity of 3 months or more.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, the unitholders are considered to be the beneficial owners of the assets of the Fund.

Riyad Capital is the custodian (“the Custodian”) of the Fund.

In August 2019, the Capital Market Authority (“CMA”) approved Albilad Investment Company’s request to offer and register “Albilad Saudi Sovereign Sukuk ETF” units on Tadawul as Exchange Traded Fund (ETF). The Fund started trading on Tadawul as an ETF on 22 Jumada Al-Thani 1441H (corresponding to 17 February 2020, with the symbol 9403).

The Fund is governed by the Investment Fund Regulations (“the Regulations”) published by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

1.1 PRIMARY MARKET OPERATION (ISSUANCE AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager who is the authorized Market Maker. The Issuance and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (for the Fund, one block equals 100,000 ETF Units), referred to Issuance and Redemption of Units respectively. The process of issuance and redemption of ETF units is on an in-kind basis whereby the Market Maker interexchange ETF Units of the Fund and the basket of assets (sukuk), through the Custodian, for the purpose of issuance and redemption of ETF units. The issued units are then freely floated on Tadawul for public trading.

2. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The financial statements have been prepared on a historical cost convention, except for the investments which are held at fair value through statement of income (FVSI).

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

The Fund can recover or settle all its assets and liabilities within 12 months from the reporting date.

2.2 Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. There are no areas of significant judgment or significant assumption used in the preparation of these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Riyals (“SAR”) which is the Fund’s functional and presentation currency. All financial information presented in SAR has been rounded to the nearest Saudi Riyal.

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into SAR using the exchange rates prevailing at the reporting date. Foreign exchange gains and losses arising from the translation of monetary assets and liabilities at exchange rate prevailing at the reporting date and from the settlement of transactions are included in the statement of income. However, the Fund did not have any foreign currency transactions during the year.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise balance held in a Custodian account. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.5 Financial instruments

2.5.1 Measurement methods

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument i.e. Trade date.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through statement of income (FVSI), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVSI are expensed in the statement of income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an impairment loss being recognised in the statement of income / (loss) when an asset is newly originated.

2.5.2 Classification and measurement of financial instruments

The Fund classifies its equity instruments at FVSI and other financial assets at amortised cost. The classification requirements for equity and debt instruments are described below:

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer’s perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer’s equity.

The Fund classifies its investments as held at FVSI. The Fund subsequently measures all equity investments at FVSI, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income (FVOCI). The Fund’s policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to the statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Fund’s right to receive dividend is established.

The subsequent Unrealised revaluation gains / loss on investment held at FVSI is recognised in statement of income.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.2 Classification and measurement of financial instruments (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Factors considered by the Fund in determining the business model for a group of assets include:

- past experience on how the cash flows for these assets were collected;
- how the asset's performance is internally evaluated and reported to key management personnel;
- how risks are assessed and managed; and
- how managers are compensated.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Debt securities held for trading, if any, are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on the business model and cash flow characteristics, the debt financial assets can be classified as held at amortised cost, FVSI and FVOCI:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVSI, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 2.5.3. Profit earned if any from these financial assets is recognised in the statement of income using the effective commission rate method.

Fair value through statement of income (FVSI): If debt instrument's cash flows do not represent solely SPPP or if it is not held within the held to collect or the held to collect and sell business model, or if it is designated at FVSI, then it is measured at FVSI. A gain or loss on a debt investment measured at FVSI is recognised in the statement of income, within "Net gain / (loss) in investments mandatorily measured at FVSI", in the year in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within "Net gain / (loss) in investments at FVSI".

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Financial instruments (continued)

2.5.2 Classification and measurement of financial instruments (continued)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVSI, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the year.

Based on the above evaluation, Fund has classified its investment in Saudi sovereign sukuk as at fair value through statement of income (FVSI).

2.5.3 Impairment of financial assets measured at amortised cost

The Fund assesses, on a forward-looking basis, the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Under IFRS 9, loss allowances is measured on either of the following bases:

- 12-month ECLs: these ECLs that result from possible default events within the 12 months after the reporting date; and*
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.*

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

2.5.4 De-recognition of financial instruments

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Fund is assessed to have transferred a financial asset, the asset is derecognized if the Fund has transferred substantially all the risks and rewards of ownership. Where the Fund has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Fund has not retained control of the financial asset. The Fund recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expired.

2.6 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 offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Accruals and other liabilities

Liabilities are recognised for amounts to be paid for goods or services received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

2.8 Equity attributable to the unitholders

Equity attributable to the unitholders is made up of units in issue and retained earnings.

Redeemable Units

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's equity in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's equity.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund over the life of the instrument.

In addition - in order to classify instruments as equity - the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification. The subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

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

The Fund's distributions are classified as dividends paid in the statement of changes in equity attributable to the unitholders.

2.9 Taxation

Taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

2.10 Zakat

Zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

**ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**
(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.11 Value added tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. The other entities that transact business with the Fund withhold taxes or recover VAT on services rendered to the Fund. As the Fund cannot recover these amounts, these are expensed in the statement of income.

2.12 Income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Realised gain / (loss) on disposal of investments held at FVSI is measured as the difference between the sales proceed and the carrying value before disposal.

Investment purchases are accounted for using the weighted average cost method.

In accordance with the Shariah Board's resolutions, income prohibited by Shariah received by the Fund is excluded from the determination of income and is recorded as other liabilities in the statement of financial position. Such amount is determined based on the information available to the Fund Manager on the nature of earnings of investees upon the preparation of these financial statements. Income prohibited by Shariah is paid to charities on a quarterly basis.

2.13 Dividend distribution

The Fund shall distribute the cash surplus represented by the returns received from the sukuk in the form of monthly distributions to the unit holders registered in the register of unit holders on the last working day of the month (maturity date). Profits will be distributed within ten working days after the end of the last working day of the month (the date of distribution). The Fund Manager has the right not to distribute cash if no profits are received from the sukuk.

2.14 Changes in accounting policy and disclosures

(i) New standards effective in current year

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2022 except for the adoption of the following net IFRS / amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after new IFRS 1 January 2023. The management has assessed that the below amendments have no significant impact on the financial statements.

ALBILAD SAUDI SOVEREIGN SUKUK ETF
NOTES TO THE FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Changes in accounting policy and disclosures(continued)

(i) New standards effective in current year (continued)

The Fund has adopted the following new IFRS amendments, interpretations and revisions to existing standards, which were issued by the IASB and are applicable from 1 January 2023:

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Amendment to IAS 8- Defintion of accounting estimate	The amendment to IAS 8 Accounting Policies, Changes in Accounting estimates and errors clarifies how fund should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require funds to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January, 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give funds temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected funds.	1 January, 2023

The adoption of the above new standards/ amendments to standards and interpretations did not have any significant impact on these financial statements.

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2. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

2.14 Changes in accounting policy and disclosures(continued)

(ii) Standards Issued but not yet effective and not early adopted

The listing of standards and interpretations has issued which are applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective. These amendments and standards are not expected to have a significant impact on the financial statements of the Fund.

Standard/ interpretation	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a fund's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some fund's supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.	Available for optional adoption/effective date deferred indefinitely
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

3. CASH AND CASH EQUIVALENTS

	Note	As at 31 December 2023	As at 31 December 2022
Balance with the Custodian	5	616,185	633,170

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4. INVESTMENT HELD AT FAIR VALUE THROUGH STATEMENT OF INCOME (FVSI)

The following table represents the movement of investments in sukuk held at FVSI:

	As at 31 December 2023	As at 31 December 2022
Balance as at 1 January	121,339,953	172,513,097
Purchased during the year	17,939,948	5,187,974
Sold during the year	(42,679,522)	(44,876,713)
Profit from sukuk:		
- recognised in the statement of income	4,001,573	4,485,858
- received during the year	(4,331,551)	(4,854,907)
Unrealised loss on revaluation of investments held at FVSI	(4,418,169)	(11,115,356)
Balance as at 31 December	91,852,232	121,339,953

5. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Fund Manager, Custodian, other funds managed by the Fund Manager, Fund Board, key management personnel and any businesses which are controlled, either directly or indirectly, by the unitholders or over which they exercise significant influence ("affiliate"). The Fund enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties.

Management fee and other expenses

The Fund pays 0.30% of the Fund's Net Asset Value at each Valuation Day as total expense out of which management fee is paid as remaining item after deducting all expenses of the Fund.

The Fund Manager also recovers certain expenses incurred on behalf of the Fund within limits mentioned in the Terms and Conditions of the Fund.

Transactions with related parties

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the Terms and Conditions of the Fund. All the related party transactions are approved by the Fund Board.

Following table summarises the details of transactions with related parties:

Related party	Nature of relationship	Nature of transaction	Note	For the year ended 31 December	
				2023	2022
AlBilad Investment Company	Fund Manager	Management fee expense		109,506	149,027
		Management fee paid		102,734	148,379
Riyad Capital	Custodian of the Fund	Custody fee expense		58,697	78,421
Fund Board	Members of the Fund Board	Fund Board fee expense	6	4,000	4,000

Following table summarises the details of balances with related parties:

Nature of balance	Related Party	Note	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents	Riyad Capital - Custodian of the Fund	3	616,185	633,170
Custody fee payable	Riyad Capital - Custodian of the Fund		26,950	6,815
Fund Board fee payable	Members of the Fund Board		4,000	4,000
Accrued management fee	Albilad Investment Company – Fund Manager		24,165	17,393

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6. OTHER EXPENSES

	Note	For the year ended	
		2023	2022
Edaa fees		132,175	110,209
Benchmarking expense		30,000	30,000
Value added tax expense		33,131	61,373
Fund Board fee	5	4,000	4,000
Other expenses		37,500	37,500
		236,806	243,082

7. DIVIDEND DISTRIBUTION

During the year, the Fund has distributed the following dividends to the unitholders:

Date of dividend announcement	Outstanding units	Dividend per unit	Dividend amount
31-Jan-23	14,300,000	0.0513	733,854
01-Mar-23	14,400,000	0.0224	322,942
03-Apr-23	14,400,000	0.0287	412,625
01-May-23	14,300,000	0.0392	561,254
02-Jul-23	14,100,000	0.0083	117,117
01-Aug-23	14,000,000	0.0475	664,421
31-Aug-23	13,400,000	0.0240	321,810
02-Oct-23	13,200,000	0.0278	366,458
01-Nov-23	12,000,000	0.0392	470,328
			3,970,809

Date of dividend announcement	Outstanding units	Dividend per unit	Dividend amount
04-Jan-22	18,200,000	0.0054	98,826
31-Jan-22	17,400,000	0.0533	926,739
01-Mar-22	17,000,000	0.0219	371,841
31-Mar-22	15,800,000	0.0301	475,113
28-April-22	14,800,000	0.0382	564,997
03-Jul-22	14,400,000	0.0056	80,808
01-Aug-22	14,400,000	0.0510	740,542
31-Aug-22	14,100,000	0.0225	317,391
03-Oct-22	14,100,000	0.0290	409,147
01-Nov-22	14,100,000	0.0398	561,321
29-Dec-22	14,100,000	0.0055	76,986
			4,623,711

8. FAIR VALUES 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 accessible market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

Determination of fair value and fair value hierarchy

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

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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8. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments which are not measured at fair value in these financial statements are not significantly different from the carrying values included in the financial statements.

At 31 December 2023	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments held at FVSI	91,852,232	91,852,232	-	-	91,852,232
	91,852,232	91,852,232	-	-	91,852,232
Financial assets not measured at fair value					
Cash and cash equivalents	616,185	-	-	616,185	616,185
	616,185	-	-	616,185	616,185
Financial liabilities not measured at fair value					
Accrued management fee	24,165	-	-	24,165	24,165
Accrual and other liabilities	196,951	-	-	196,951	196,951
	221,116	-	-	221,116	221,116

At 31 December 2022	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments held at FVSI	121,339,953	121,339,953	-	-	121,339,953
	121,339,953	121,339,953	-	-	121,339,953
Financial assets not measured at fair value					
Cash and cash equivalents	633,170	-	-	633,170	633,170
	633,170	-	-	633,170	633,170
Financial liabilities not measured at fair value					
Accrued management fee	17,393	-	-	17,393	17,393
Accrual and other liabilities	19,622	-	-	19,622	19,622
Dividend payable	76,986	-	-	76,986	76,986
	114,001	-	-	114,001	114,001

Level 1 financial instruments comprise of investments in Saudi Government Sukuks which are fair valued using quoted rate on Tadawul.

9. FINANCIAL RISK MANAGEMENT

9.1 Financial risk factors

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unitholders and to ensure reasonable safety to the unitholders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

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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9. FINANCIAL RISK MANAGEMENT

9.1 Financial risk factors (continued)

(a) Market risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, commission rate risk and price risk.

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

All the Fund's transactions and balances are in Saudi Riyals and therefore the Fund is not exposed to foreign exchange risk.

(ii) Commission rate risk

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates. Fund has all its investment in fixed rate Saudi Government Sukuks, therefore, Fund is not exposed to commission rate risk.

(iii) Price risk

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed at Tadawul.

The effect on the equity attributable to the unitholders (as a result of the change in the fair value of sukuk investments held at FVSI as at 31 December due to a reasonably possible change in prices of sukuk investments based on the market concentration, with all other variables held constants is as follows:

	31 December 2023	
Financial instrument subject to price risk	Potential reasonable change %	Effect on statement of income / equity
Revaluation gain / loss on investments held at FVSI	+/- 5	4,592,612
	31 December 2022	
Financial instrument subject to price risk	Potential reasonable change %	Effect on statement of income / equity
Revaluation gain / loss on investments held at FVSI	+/- 5	+/- 6,066,998

(b) 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 maximum exposure to credit risk amounts to Saudi Riyals 92,468,417 (2022: Saudi Riyals 121,973,123). It majorly includes investment in Saudi Government Sukuk which have the sovereign rating and is held at fair value. The bank balance held with the Custodian has a sound credit rating and has low credit risk.

All financial assets at amortised cost were considered for ECL as on 31 December 2023. However, the impact of ECL on these assets was immaterial as the cash and cash equivalents are held with the Custodian with sound credit ratings. There is no history of default for recovery of these balances. Further the sukuk are carried at FVSI.

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9. FINANCIAL RISK MANAGEMENT (continued)

9.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's Terms and Conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

Fund settles its financial liabilities relating to accrued management fee and other expenses on quarterly basis.

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through obtaining loan from related party, or liquidation of its investments.

Following table shows the Fund manager's expectation of timing for settlement of financial liabilities:

As at 31 December 2023

Financial assets	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
Cash and cash equivalents	616,185	-	-	-	616,185
Investments held at FVSI	-	507,995	4,498,190	86,846,047	91,852,232
	616,185	507,995	4,498,190	86,846,047	92,468,417
Financial liabilities					
Accrued management fee	-	-	24,165	-	24,165
Accruals and other liabilities	-	-	196,951	-	196,951
	-	-	221,116	-	221,116
Liquidity gap	616,185	507,995	4,277,074	86,846,047	92,247,301

As at 31 December 2022

Financial assets	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months	Total
Cash and cash equivalents	633,170	-	-	-	633,170
Investments held at FVSI	-	5,492,287	115,847,666	-	121,973,13
	633,170	5,492,287	115,847,666	-	121,973,13
Financial liabilities					
Accrued management fee	-	-	17,393	-	17,393
Accruals and other liabilities	-	-	19,622	-	19,622
Dividend payable	76,986	-	-	-	76,986
	76,986	-	37,015	-	114,001
Liquidity gap	556,184	5,492,287	115,810,651	-	121,859,122

9.2 Capital risk management

The capital of the Fund is represented by the equity attributable to the unitholders. The amount of equity attributable to the unitholders can change significantly on each Valuation Day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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9. FINANCIAL RISK MANAGEMENT (continued)

9.2 Capital risk management (continued)

In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of dividend distributions the Fund pays to redeemable unitholders.

The Fund Board and Fund Manager monitor capital on the basis of the value of equity attributable to the unitholders.

10. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities for the years ended 31 December 2023 are classified under amortized cost category except for receivable against sale of investment, which is classified and measured at fair value.

	Measurement category	As at 31 December 2023	As at 31 December 2022
Financial assets			
Cash and cash equivalents	Amortised cost	616,185	633,170
Investments held at FVSI	Fair value	91,852,232	121,339,953
Total financial assets		92,468,417	121,973,123
Financial liabilities			
Accrued management fee	Amortised cost	24,165	17,393
Accruals and other liabilities	Amortised cost	196,951	19,622
Dividend payable	Amortised cost	-	76,986
Total financial liabilities		221,116	114,001

11 SEGMENT REPORTING

The Fund carries a portfolio of listed government sukuks instruments on Saudi Stock Exchange. The Fund Manager periodically assesses the performance and allocates resources to the business as one unit and, as such, no separate operating segments were identified for financial reporting purposes. Consequently, segment reporting as required by IFRS 8 'Operating Segments' has not been disclosed.

12. LAST VALUATION DAY

In accordance with the Terms and Conditions of the Fund, the last valuation day for the purpose of the preparation of these financial statements for the year was 31 December 2023. (2022: 31 December 2022).

13. INFORMATIVE ZAKAT RETURN SUBMISSION

Article 3 of Zakat Collection Rules for Investing in Investment Funds, stipulates that all investment funds approved to be established by the CMA after the effective date of the resolution (1 January 2023), must register with Zakat and Income Tax Authority (ZATCA) for Zakat purposes before the end of the first fiscal year from the date of the approval on their establishment and submit an informative zakat return within 120 days of fiscal year end. The Fund received its registration certificate no. 1022300022258 from ZATCA on 12 December 2023. The Fund will submit the informative zakat return in due course.

The responsibility of paying zakat on investment in the Fund's units remains with the unitholders and the Fund does not have the zakat obligation.

14. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issues by the Fund Board on 25 March 2024.