ALJAZIRA USD MURABAHA FUND

Open-Ended Mutual Fund

(Managed by Aljazira Capital Company)

Financial Statements

For the year ended 31 December 2022

Together with the

Independent Auditor's Report

ALJAZIRA USD MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Aljazira Capital Company)

Financial statements for the year ended 31 December 2022

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALJAZIRA USD MURABAHA FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AlJazira USD Murabaha Fund (the "Fund") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Fund, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets (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, including a summary of significant accounting policies.

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 are independent of the Fund in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Fund's Terms and Conditions and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 management 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 Board of Directors are responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALJAZIRA USD MURABAHA FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 misstatements, 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 skepticism throughout the audit. We also:

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALJAZIRA USD MURABAHA FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Riyadh:--Ramadhan 1444H
Corresponding to:22 March 2023

ALJAZIRA USD MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Aljazira Capital Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Amounts in United States Dollars)

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash at Bank	5, 8	**12,409**	100,016
Investments carried at fair value through profit or loss (FVTPL)	6	**-**	29,467,234
Investments carried at amortized cost – Murabaha	7	**25,363,596**	27,874,707
TOTAL ASSETS		**25,376,005**	57,441,957
LIABILITIES			
Management fee payable	8	**103,446**	20,493
TOTAL LIABILITIES		**103,446**	20,493
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		**25,272,559**	57,421,464
Units in issue (in numbers)	9	**236,966**	547,908
Net Asset (Equity) Value per unit		**106.65**	104.80

The accompanying notes 1 to 17 form an integral part of these financial statements.

ALJAZIRA USD MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Aljazira Capital Company)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Amounts in United States Dollars)

	Notes	31 December 2022	31 December 2021
Income			
Net gain from investments carried at FVTPL	10	**191,865**	239,821
Special commission income from investments at amortized cost-Murabaha	7	**690,522**	323,051
Other income		**10,410**	22,405
		892,797	585,277
Expenses			
Management fees	8	**152,212**	97,095
Other expenses		**1,216**	974
		153,428	98,069
Net income for the year		**739,369**	487,208
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**739,369**	487,208

The accompanying notes 1 to 17 form an integral part of these financial statements.

ALJAZIRA USD MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Aljazira Capital Company)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2022
(Amounts in United States Dollars)

	31 December 2022	31 December 2021
Net assets (Equity) attributable to the Unitholders at beginning of the year	**57,421,464**	67,082,705
Total comprehensive income for the year	**739,369**	487,208
Contributions and redemptions by the Unitholders		
Issuance of units	**11,867,033**	24,984,602
Redemption of units	**(44,755,307)**	(35,133,051)
Net changes from unit transactions	**(32,888,274)**	(10,148,449)
Net assets (Equity) attributable to the Unitholders at end of the year	**25,272,559**	57,421,464

The accompanying notes 1 to 17 form an integral part of these financial statements.

ALJAZIRA USD MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Aljazira Capital Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amounts in United States Dollars)

	Notes	31 December 2022	31 December 2021
Cash flows from operating activities:			
Net income for the year		**739,369**	487,208
Adjustments for:			
- Unrealized gain from investments carried at FVTPL	10	**-**	(89,951)
- Income from investments carried at amortized cost - Murabaha		**(690,522)**	(447,826)
		226,039	(50,569)
Net changes in operating assets and liabilities:			
Financial assets measured at fair value through profit or loss		**29,467,234**	10,841,818
Investments carried at amortized cost – Murabaha		**20,465,913**	1,061,805
Receivable against sale of investment		**-**	1,150,226
Management fee payable		**82,953**	(18,409)
Cash generated from operations		**50,064,947**	12,984,871
Income received		**634,701**	734,714
Net cash generated from operating activities		**50,699,648**	13,719,585
Cash flows from financing activities:			
Proceeds from issuance of units		**11,867,033**	24,984,602
Redemption of units		**(44,755,307)**	(42,382,858)
Net cash (used in) from financing activities		**(32,888,274)**	(17,398,256)
Net increase / (decrease) in cash and cash equivalents		**17,811,374**	(3,678,671)
Cash and cash equivalents at beginning of the year	5	**2,300,016**	5,978,687
Cash and cash equivalents at end of the year	5	**20,111,390**	2,300,016

The accompanying notes 1 to 17 form an integral part of these financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Aljazira USD Murabaha Fund (the "Fund") is an open-ended, Saudi investment fund established and managed through an agreement between Aljazira Capital Company – a Saudi Closed Joint Stock Company (the "Fund Manager") and the investors (the "Unitholders"). The Fund Manager is a wholly owned subsidiary of Bank Aljazira (the "Bank"). The Capital Market Authority ("CMA") approval to issue units to public was granted through its letter no 495/5 dated 4 Rabi Al-Awwal 1440H (corresponding to 12 November 2018). The Fund commenced its operations on 10 February 2019.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to achieve higher profits from Murabaha placements and deposits with a low risk. The Fund's net income is reinvested in the Fund, which is reflected in the net assets (equity) attributable to each unit.

The Fund's manager and administrator is Aljazira Capital Company. The Fund's assets are held in the custody of NOMW Capital (the "Custodian").

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) thereafter amended on 16 Sha'ban 1437H (corresponding to 23 May 2016). The regulation was further amended (the "Amended Regulations") on 17 Rajab 1442H (corresponding to 1 March 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442H (corresponding to 1 May 2021).

SUBSCRIPTION / REDEMPTION

Subscription / redemption requests are accepted on all days on which Tadawul is open.

The value of the Fund's portfolio is determined daily. The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net assets of the Fund by the total number of outstanding Fund units.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Statement of compliance

These financial statements 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis, except for investments that are measured at fair value.

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 the order of liquidity.

2 BASIS OF PREPARATION (CONTINUED)

2.3 Functional and presentation currency

These financial statements are presented in United States Dollar (USD) which is the Fund's functional and presentation currency.

Foreign currency transactions are translated into USD using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into USD using the exchange rates prevailing at date of the statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the statement of comprehensive income.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund's accounting policies, management has made the following estimate and judgment which are significant to these financial statements:

A. Judgment

3.1 Going concern

The Fund's management 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 management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

B. Assumption and estimation uncertainties

3.2 Expected credit loss

In the preparation of these financial statements, management has made a number of significant judgments required in applying the accounting requirements for measuring Expected Credit Loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

(Amounts in United States Dollars)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2021. There are new standards, amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Fund.

There are several other amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

4.1.1 New amendments to standards issued and applied effective 1 January 2022

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Fund's Financial Statements, except for where referenced below.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

(Amounts in United States Dollars)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

4.1.2 New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 17	Insurance Contracts	1 January 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to definition of accounting estimate	1 January 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	1 January 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Funds's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of their initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Cash and cash equivalents

Cash and cash equivalents of the Fund comprise balances held with the bank and Murabaha placement with original maturity of 3 months or less. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.3 Financial instruments

4.3.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

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 profit or loss, 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 fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an Expected Credit Loss allowance (ECL) is recognized for financial assets measured at amortized cost, as described in Note 3.2, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

4.3.2 Classification and measurement of financial assets

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or FVTPL:

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

• the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset at fair value through other comprehensive income (“FVOCI”)

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

• it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial asset at FVTPL

All financial assets not classified as measured at amortized cost or FVOCI are measure at FVTPL.

The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at fair value through profit or loss

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.2 Classification and measurement of financial assets (continued)

Financial asset at FVTPL

The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability form the issuer's perspective, such as Murabaha contracts and Sukuks.

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.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 3.2. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

The amount of SAR 124,775 has been reclassified from receivable against sale of asset to accrued income. The current year figure are compliant with the presentation as shown in last year.

FVTPL: a financial asset's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, then it is measured at FVTPL.

A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income, within "Net gain / (loss) in investments mandatorily measured at FVTPL", in the period 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 designated at FVTPL". Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

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 FVTPL. 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. Securities held for trading 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 FVTPL.

SPPI: 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 "SPPI" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit 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 fair value through profit or loss.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.2 Classification and measurement of financial assets (Continued)

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 net assets.

The Fund classifies its equity instruments at FVTPL. The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. 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 recognized in OCI and are not subsequently reclassified to the statement of comprehensive 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 recognized in the statement of comprehensive income when the Fund’s right to receive payments is established.

4.3.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

(a) Transferred substantially all of the risks and rewards of the asset or

(b) Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund’s continuing involvement in the asset. In that case, the Fund also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

4.3.4 Impairment of financial assets

The Fund recognizes loss allowances for ECLs on financial assets measured at amortized cost and debt investments measured at FVOCI.

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

- Financial assets that are determined to have low credit risk at the reporting date; and

- Other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund’s historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

One of the key quantitative indicators used by the Fund is the relative downgrade of the internal rating of the borrower and thereby the consequent change in the PD.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Financial instruments (continued)

4.3.5 Financial liabilities

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

4.3.6 Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Fund commits to purchase or sell the assets). Regular way purchases or sales are purchase or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

4.3.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

4.5 Other receivables

Other receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective Profit rate method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

4.6 Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund’s net assets (equity) in the event of the Fund’s liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do 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 net assets (equity).
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, 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 recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, 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 recognized in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, 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 issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

- No gain or loss is recognized in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund’s own equity instruments.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.7 Accrued expenses and other liabilities

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

4.8 Net gain or loss on financial assets at FVTPL

Net gains or losses on financial assets at FVTPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVTPL and exclude interest and dividend income and expenses.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior period's unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

4.9 Special commission income

Special commission income presented in the statement of comprehensive income comprise commission on financial assets measured at amortized cost calculated on an effective yield basis.

The 'effective yield rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument:

• to the carrying amount of the financial assets; or

• the amortized cost of the financial liability.

In calculating special commission income, the effective yield rate is applied to the gross carrying amount of the asset (when the assets are not credit impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

4.10 Dividend income

Dividend income, if any, is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income in a separate line item.

4.11 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in statement of comprehensive income as an expense.

4.12 Management fees

Management fee is calculated and payable on the basis as mentioned in terms and conditions of the Fund.

4.13 Other expenses

Other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

4.14 Zakat / Taxation

Zakat / taxation is the obligation of the Unitholders and is not provided for in these financial statements.

(Amounts in United States Dollars)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.15 Net assets value

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

4.16 Dividends distribution

Dividend distribution to the Fund's units holders is recognized as a liability in the Fund's financial statements in the period in which the right to make the payment for dividend is established.

4.17 Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

5 CASH AND CASH EQUIVALENTS

		As at 31 December	
	Notes	2022	2021
Cash at Bank	5.1, 8	**12,409**	100,016
Murabaha placements with original maturity of 3 months or less		**20,098,981**	2,200,000
		20,111,390	2,300,016

5.1 Cash at Bank is held in current accounts with Bank Aljazira, a related party (Also see Note 1). The Fund does not earn profit on these current accounts.

6 INVESTMENTS CARRIED AT FVTPL

These represent investments in open ended mutual funds within the Kingdom of Saudi Arabia.

Name of Fund	As at 31 December 2022		
	Cost	Fair value	%
Riyad USD Diversified Trade Fund	-	-	-
International Trade Finance Fund	-	-	-
Al-Ahli International Trade Fund	-	-	-
Riyad USD Trade Fund	-	-	-
HSBC US Dollar Murabaha Fund	-	-	-
Total	-	-	-

(Amounts in United States Dollars)

6 INVESTMENTS CARRIED AT FVTPL (CONTINUED)

Name of Fund	As at 31 December 2021		
	Cost	Fair value	%
Riyad USD Diversified Trade Fund	9,942,652	10,049,085	34.10%
International Trade Finance Fund	7,670,911	7,707,916	26.16%
Al-Ahli International Trade Fund	6,502,196	6,523,631	22.14%
Riyad USD Trade Fund	3,284,243	3,295,792	11.18%
HSBC US Dollar Murabaha Fund	1,890,040	1,890,810	6.42%
Total	29,290,042	29,467,234	100.00%

7 INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA

	2022	2021
Murabaha Placement	**25,363,596**	27,749,932
Gross Carrying amount	**25,363,596**	27,749,932
Expected credit Loss	**-**	-
Net carrying amount as at the year end	**25,363,596**	27,749,932

	31 December 2022	31 December 2021
MURABAHA PLACEMENTS		
Qatar Islamic Bank	**1,002,479**	10,000,000
Sharjah Islamic Bank	**-**	4,759,000
Ajman Bank	**-**	4,615,932
United Arab Bank	**-**	4,015,000
National Bank of Kuwait	**3,928,275**	2,200,000
National Bank of Fujairah	**-**	2,160,000
Qatar National Bank-Saudi Arabia	**3,955,189**	-
ABC Bank	**4,493,373**	-
Riyad Bank	**8,576,556**	-
Musaf Al Rayan	**3,407,724**	-
Total	**25,363,596**	27,749,932

(Amounts in United States Dollars)

7 INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA (CONTINUED)

7.1 The rate of profit on Murabaha placements ranges from 0.6% to 5.67% per annum and all the Murabaha placements will be matured within a period of less than 12 months from the statement of financial position date.

7.2 The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the financial statements as the charge was not material.

	Note	31 December 2022	31 December 2021
Carrying amount at the start of year		**27,874,707**	26,898,625
Additions during the year		**89,457,001**	53,791,932
Matured during the year		**(92,023,933)**	(52,528,962)
Murabaha profit recognized during the year		**690,522**	447,826
Murabaha profit received during the year		**(634,701)**	(734,714)
Carrying amount at the end of the year		**25,363,596**	27,874,707

	2022	2021
Maturity within 3 months	**20,098,981**	2,200,000
Maturity within 3 – 12 months	**5,264,615**	25,674,707
Maturity more than 12 months	**-**	-
	25,363,596	27,874,707

8 RELATED PARTIES TRANSACTIONS AND BALANCES

Management fee and other expenses

For management services, the Fund pays on a quarterly basis, the management fees at an annual rate of 15% of investment return, which does not exceed 0.75% of the annual net asset value of the Fund.

The Fund Manager recovers from the Fund any other expenses incurred on behalf of the Fund such as board compensation, Shariah supervisory board compensation and other similar charges.

(Amounts in United States Dollars)

8 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with related parties

During the year, the Fund entered into the following significant transactions with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related parties	Nature of relationship	Nature of transaction	31 December 2022	31 December 2021
Aljazira Capital Company	Fund Manager	Management fees	**152,212**	97,095
Bank Aljazira	Affiliate	Placements made during the period	**4,430,000**	7,619,000
		Matured during the period	**(4,430,000)**	(7,619,000)
		Profit received during the period	**(27,580)**	(38)
		Profit for the period	**27,580**	38
		Bank charges	**1,216**	-

Balances with related parties

Related parties	Nature of relationship	Nature of transaction	As at 31 December 2022	As at 31 December 2021
Bank Aljazira	Affiliate	Cash at Bank	**12,409**	100,016
Aljazira Capital Company	The Fund Manager	Management fee payable	**(103,446)**	(20,493)

9 UNIT TRANSACTIONS

Transactions in units for the year are summarized as follows:

	31 December 2022	31 December 2021
	(Unit in numbers)	
Units at beginning of the year	**547,908**	645,263
Units issued during the year	**112,760**	239,386
Units redeemed during the year	**(423,702)**	(336,741)
Net change in units	**(310,942)**	(97,355)
Units at end of the year	**236,966**	547,908

(Amounts in United States Dollars)

10 NET GAIN FROM INVESTMENTS CARRIED AT FVTPL

	31 December 2022	31 December 2021
Unrealized gain on revaluation of investments	-	89,951
Realized gain on disposal of investments	**191,865**	149,870
	191,865	239,821

11 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2022	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	**12,409**	**-**
Investments carried at FVTPL	**-**	**-**
Investments carried at amortized cost – Murabaha	**25,363,596**	**-**
Total	**25,376,005**	**-**

As at 31 December 2021	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	100,016	-
Investments carried at FVTPL	-	29,467,234
Investments carried at amortized cost – Murabaha	27,874,707	-
Total	27,974,723	29,467,234

All financial liabilities as at 31 December 2022 (31 December 2021) were classified as financial liabilities measured at amortized cost.

12 RISK MANAGEMENT

12.1 Financial risk factors

The objective of the Funds is to safeguard its 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, liquidity risk and operational 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 are 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.

(a) Market 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.

The Fund's investments carried at amortized cost – Murabaha are not exposed to any foreign exchange risk because the Investments are denominated in United States Dollar, which is the Fund's functional and presentation currency.

(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. As At 31 December 2022, the Fund is not exposed to commission rate risk with respect to the future cash flows of a financial instrument as the Fund has no variable rate investments. Moreover, the fixed coupon financial instruments [Murabaha placements] are carried at amortized cost, therefore, the Fund is not subject to commission rate risk on the said instruments.

(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 financial instruments that the Fund holds. The Fund closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Fund has no investments in the instruments that are measured at fair value.

(Amounts in United States Dollars)

12 RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(a) Market risk

The effect on the net assets (equity) value (as a result of the change in the fair value of investments as at 31 December 2022 and 31 December 2021) due to a reasonably possible change in Fund's NAV based on the underlying assets concentration, with all other variables held constants is as follows:

	31 December 2022		31 December 2021	
	Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
Riyad USD Diversified Trade Fund	**+/- 1%**	-	+/- 1%	100,491
International Trade Finance Fund	**+/- 1%**	-	+/- 1%	77,079
Al-Ahli International Trade Fund	**+/- 1%**	-	+/- 1%	65,236
Riyad USD Trade Fund	**+/- 1%**	-	+/- 1%	32,958
HSBC US Dollar Murabaha Fund	**+/- 1%**	-	+/- 1%	18,908

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its cash and cash equivalents, investments carried at amortized cost and other receivables. Cash is placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

Expected credit loss measurement

The Fund does not have a formal internal grading mechanism. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Under the general approach of IFRS 9 ECL, the financial assets are classified into three stages. Each stage indicates the credit quality of the particular financial asset.

Stage 1: includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but profit is still calculated on the gross carrying amount of the asset.

Stage 3: includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted).

One of the key components of IFRS 9 ECL is to determine whether there have been significant increases in credit risk (SICR) of an entity's credit exposures since initial recognition. The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

12 RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (continued)

(b) Credit risk

Definition of 'Default'

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Fund. Overdrafts are considered as being past due once the counterparty has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Fund considers indicators that are:

- qualitative- e.g., breaches of covenant;
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources

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

Probability of Default (PD)

Through the yearly review of investments in debt instruments, the Fund shall draw a yearly transition matrix to compute account-based PD over the one-year horizon for the past 5 years. These PDs will be grouped as per credit ratings. This rating migration shall capture the movement of obligors into default at yearly intervals. An average default rate of the 5 yearly transition matrices provides the through the cycle PDs. IFRS 9 requires the use of a PD that is a 'point-in-time' (PiT PD) estimate reflecting current forecasts of future economic conditions. To derive PiT PDs, the Fund will annually source macro-economic forecast data for selected variables from appropriate sources.

Loss Given Default (LGD)

Loss given default is defined as the forecasted economic loss in case of default. LGD computation will be based on the Fund's losses on defaulted accounts after the consideration of recovery percentages. IFRS 9 also requires that LGD be estimated in collaboration with the forward-looking valuation of collaterals based on macro-economic factors. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

For LGD estimation on its non-collateralized portfolio, the Fund shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 5 years prior to the assessment date.

Exposure at Default (EAD)

Exposure at default is an estimation of the extent that the Fund may be exposed to an obligor in the event of default. The estimation of EAD should consider any expected changes in the exposure after the assessment date. This is of importance in the case of Stage 2 assets where the point of default may be several years in the future.

Discount rate

The Fund will compute effective profit rate at a contractual level. If the computation of the effective profit rate (at reporting date) is not feasible, the Fund will use the contractual profit (at reporting date) for discounting purposes.

The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in these financial statements as the amount was not material.

(Amounts in United States Dollars)

12 RISK MANAGEMENT (CONTINUED)

12.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Credit ratings

The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies. As at 31 December 2022 and 31 December 2021, the Fund has investments measured at amortized cost with the following credit quality:

Rating of financial institution	31 December 2022	31 December 2021
Cash at Bank		
BBB+(Fitch)	**12,409**	100,016
Murabaha placements		
A1(Moody)	**3,407,724**	-
A(S&P)	**7,883,464**	12,200,000
BBB+(Fitch)	**8,576,556**	8,630,932
BB+(Fitch)	**4,493,373**	-
A-(S&P)	**1,002,479**	4,759,000
Baal (Fitch)	**-**	2,160,000
	25,363,596	27,749,932

(Amounts in United States Dollars)

12 RISK MANAGEMENT (CONTINUED)

12.2 The table below shows the maximum exposure to credit risk on financial instruments subject to impairment.

	As at 31 December 2022				As at 31 December 2021
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Total
Cash at bank	**12,409**	-	-	**12,409**	100,016
Investments carried at amortized cost – Murabaha	**25,363,596**	-	-	**25,363,596**	27,874,707
Gross carrying amount	**25,376,005**	-	-	**25,376,005**	27,974,723
Loss allowance	**-**	-	-	**-**	-
Net carrying amount	**25,376,005**	-	-	**25,376,005**	27,974,723

The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the financial statement as the amount was not material.

The geographical concentration of the investments held at amortized cost is as follows:

	31 December 2022	**31 December 2021**
Saudi Arabia	**16,460,020**	17,825,400
Qatar	**4,410,203**	10,049,307
Bahrain	**4,493,373**	-
	25,363,596	27,874,707

12 RISK MANAGEMENT (CONTINUED)

12.1 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 business day and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions on these days. The Fund's financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

The contractual and expected maturity of all liabilities outstanding at the reporting date are within 12 months (2021: due within 12 months).

12.2 Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to Unitholders.

12.3 Capital risk Management

The capital of the Fund is represented by the equity attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units 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 unitholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Fund classifies all of its financial assets, except for those carried at amortized cost, at fair value accordingly to below levels.

31 December 2022		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
Investments carried at FVTPL	-	-	-	-

31 December 2021		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
Investments carried at FVTPL	-	29,467,234	-	29,467,234

The above financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets / financial liabilities	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship and sensitivity of unobservable inputs to fair value**
Investment carried at FVTPL	Net Asset Value	N/A	N/A

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the funds which is based on observable market data.

The Investee Funds classified in Level 2 were fair valued using the net asset value of the Investee Fund, as reported by the respective Investee Fund's administrator. For these Investee Funds, management believes the Fund could have redeemed its investment at the net asset value per share at the statement of financial position date.

During the year, there has been no transfer in fair value hierarchy for FVTPL investments.
Other financial instrument such as, cash at bank balances, this is short-term financial asset whose carrying amount approximate its fair value, because of its short-term nature and the high credit quality of counterparty. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

14 SUBSEQUENT EVENTS

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

15 RECLASSIFICATIONS OF COMPARATIVE NOTE

During the year, the Fund has made certain reclassifications in the comparative financial statements to conform to current period presentation.

16 LAST VALUATION DAY

The last valuation day for the purpose of preparation of these financial statements was 29 December 2022 (2021: 30 December 2021).

17 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Fund’s Board on 30Shaaban 1444H corresponding to 22 March 2023G.