

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutual Fund**  
**(Managed by Aljazira Capital Company)**  
**Financial Statements`**  
**For the year ended 31 December 2023**  
**Together with the**  
**Independent Auditor's Report**

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutual Fund**  
**(Managed by Aljazira Capital Company)**

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**Financial statements for the year ended 31 December 2023**

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## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALJAZIRA EUROPEAN EQUITIES FUND  
[MANAGED BY ALJAZIRA CAPITAL COMPANY]

(1 /3)

RIYADH, KINGDOM OF SAUDI ARABIA

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 European Equities Fund (the "Fund") managed by AlJazira capital company (the "Fund Manager") 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 (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 2023;
- The statement of comprehensive income / (loss) for the year then ended;
- The statement of Changes in net assets (Equity) attributable to the unitsholders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, comprising summary of material 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 the Fund's Term's 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, are responsible for overseeing the Fund's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALJAZIRA EUROPEAN EQUITIES FUND  
[MANAGED BY ALJAZIRA CAPITAL COMPANY]

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RIYADH, KINGDOM OF SAUDI ARABIA  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### 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 assess 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 EUROPEAN EQUITIES FUND  
[MANAGED BY ALJAZIRA CAPITAL COMPANY]

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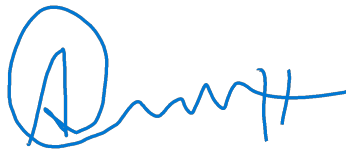
RIYADH, KINGDOM OF SAUDI ARABIA  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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### 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.



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Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 14 Ramadan 1445 H  
Corresponding to: 24 March 2024 G

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# ALJAZIRA EUROPEAN EQUITIES FUND

## Open-Ended Mutual Fund

(Managed by Aljazira Capital Company)

### STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(Amounts in United States Dollars)

	<u>Notes</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	5	<b>1,070,239</b>	1,210,783
Investments carried at fair value through profit or loss (FVTPL)	6	<b>46,164,957</b>	42,257,818
Dividend receivable		<b>29,808</b>	17,654
Prepayments and other receivables		<b>757</b>	768
<b>Total assets</b>		<b>47,265,761</b>	43,487,023
<b><u>LIABILITIES</u></b>			
Management fee payable	7	<b>196,349</b>	354,666
Redemption payable		<b>24,552</b>	-
Accrued expenses and other liabilities		<b>257,633</b>	83,504
<b>Total liabilities</b>		<b>478,534</b>	438,170
<b>NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS</b>		<b>46,787,227</b>	43,048,853
<b>Units in issue (in numbers)</b>	8	<b>224,119</b>	242,657
<b>Net Asset (Equity) Value per unit</b>		<b>208.76</b>	177.41

The accompanying notes 1 to 15 form an integral part of these financial statements.

# ALJAZIRA EUROPEAN EQUITIES FUND

## Open-Ended Mutual Fund

(Managed by Aljazira Capital Company)

### STATEMENT OF COMPREHENSIVE INCOME / (LOSS)

For the year ended 31 December 2023

(Amounts in United States Dollars)

	Notes	31 December 2023	31 December 2022
<b><u>Income / (loss)</u></b>			
Net gain / (loss) from investments carried at FVTPL	9	7,689,812	(14,111,790)
Dividend income		816,460	1,000,996
Other income		-	3,319
		<u>8,506,272</u>	<u>(13,107,475)</u>
<b><u>Expenses</u></b>			
Management fee	7	(788,613)	(816,113)
Performance fee		(285,472)	-
Custody Fees		(14,904)	(36,336)
Other expenses		(74,237)	(113,168)
		<u>(1,163,226)</u>	<u>(965,617)</u>
<b>Net income / (loss) for the year</b>		<u>7,343,046</u>	<u>(14,073,092)</u>
Other comprehensive income for the year		-	-
<b>Total comprehensive income / (loss) for the year</b>		<u>7,343,046</u>	<u>(14,073,092)</u>

The accompanying notes 1 to 15 form an integral part of these financial statements.

# ALJAZIRA EUROPEAN EQUITIES 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 2023

(Amounts in United States Dollars)

	31 December 2023	31 December 2023
Net assets (Equity) attributable to the Unitholders at beginning of the year	43,048,853	70,997,342
Total comprehensive income / (loss) for the year	7,343,046	(14,073,092)
Contributions and redemptions by the Unitholders		
Issuance of units	3,152,198	4,102,471
Redemption of units	(6,756,870)	(17,977,868)
Net changes from unit transactions	(3,604,672)	(13,875,397)
Net assets (Equity) attributable to the Unitholders at end of the year	46,787,227	43,048,853

The accompanying notes 1 to 15 form an integral part of these financial statements.



**ALJAZIRA EUROPEAN EQUITIES FUND****Open-Ended Mutual Fund**

(Managed by Aljazira Capital Company)

**STATEMENT OF CASH FLOWS****For the year ended 31 December 2023****(Amounts in United States Dollars)**

	<u>Notes</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b><u>Cash flows from operating activities:</u></b>			
Net income / (loss) for the year		7,343,046	(14,073,092)
Adjustments for:			
- Net unrealized (gain) / loss from investments carried at FVTPL	9	(6,514,115)	13,873,573
		<u>828,931</u>	<u>(199,519)</u>
<b><u>Net changes in operating assets and liabilities:</u></b>			
Investments carried at FVTPL		2,606,976	13,581,205
Dividend receivable		(12,154)	(11,848)
Prepayments and other receivables		11	2,276
Management fee payable		(158,317)	56,837
Accrued expenses and other liabilities		<u>174,129</u>	<u>(144,369)</u>
<b>Net cash generated from operating activities</b>		<u>3,439,576</u>	<u>13,284,582</u>
<b><u>Cash flows from financing activities:</u></b>			
Proceeds from issuance of units		3,152,198	4,102,471
Redemption of units, net off redemption payable *		<u>(6,732,318)</u>	<u>(17,977,868)</u>
<b>Net cash used in financing activities</b>		<u>(3,580,120)</u>	<u>(13,875,397)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(140,544)</u>	<u>(590,815)</u>
Cash and cash equivalents at beginning of the year		<u>1,210,783</u>	<u>1,801,598</u>
<b>Cash and cash equivalents at end of the year</b>	5	<u><u>1,070,239</u></u>	<u><u>1,210,783</u></u>

**\* Supplementary information**

Redemption payable	24,552
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The accompanying notes 1 to 15 form an integral part of these financial statements

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutua Fund**  
**(Managed by Aljazira Capital Company)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Al Jazira European Equities Fund (the “Fund”) is an open-ended, Saudi investment fund established and managed through an agreement between Al Jazira 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 continue issuing units to public was granted through its letter no 7720/5 dated 12 Muharram 1431H (corresponding to 29 December 2009). The Fund commenced its operations on 16 September 1999.

The Fund operates under the terms and conditions contained in its prospectus with the prime objective of providing the investors with the opportunities to invest in Shariah compliant equities, listed and traded in European countries and to invest in other funds. The Fund may also hold its liquid assets in the form of Murabaha placements and deposits. The Fund’s net income is re-invested in the Fund, which is reflected in the net assets (equity) attributable to each unit.

The Fund is administered by Northern trust (the “Administrator”). The Fund’s assets are held in the custody of Northern Trust Securities (the “Custodian”). Lazard Asset Management Limited acts as a Sub Manager to the Fund. Fee paid to the Sub Manager is borne by the Fund Manager except for performance fee which is borne by the Fund and paid to Fund Manager for onward settlement.

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 on each business day in the Kingdom of Saudi Arabia. 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 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 issued 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 convention, 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.

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutua Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**2 BASIS OF PREPARATION (CONTINUED)**

**2.3 Functional and presentation currency**

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

*Transactions and balances*

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 arising from translation are included in the statement of comprehensive income.

**3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments 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.

**4 SUMMARY OF MATERIAL ACCOUNTING POLICIES**

**4.1 New standards, amendments to standards and interpretations**

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 2022. There are new standards, amendments and interpretations apply for the first time in 2023, 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.

# ALJAZIRA EUROPEAN EQUITIES FUND

## Open-Ended Mutua Fund

(Managed by Aljazira Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in United States Dollars)

#### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### 4.1 New standards, interpretations and amendments (continued)

##### 4.1.1 New standards, amendments to standards and interpretations

###### 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.

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 (Amendments IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a 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) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutua Fund**  
**(Managed by Aljazira Capital Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**4.1 New standards, amendments to standards and interpretations (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.

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	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 liability would not impact its classification..
IFRS 16	Leases on sale and leaseback	January 1, 2024	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.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The Fund’s Management anticipates that these new standards interpretations and amendments will be adopted in the Fund’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 their period of initial application.

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutua Fund**  
**(Managed by Aljazira Capital Company)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**4.2 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents consist of bank balances and cash placed with the Custodian. 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 FVTPL, 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 FVTPL are expensed in the statement of comprehensive income.

**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.

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.

FVTPL

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at FVTPL.

# ALJAZIRA EUROPEAN EQUITIES FUND

## Open-Ended Mutua Fund

(Managed by Aljazira Capital Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in United States Dollars)

#### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### 4.3 Financial instruments (continued)

##### 4.3.2 Classification and measurement of financial assets (continued)

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent Solely Payment of Principal and Profit (SPPI), and that are not designated at FVTPL, are measured at amortized cost. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

**Fair value through profit or loss (FVTPL):** If a financial asset's cash flows do not represent 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 FVTPL, 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 FVTPL.

##### 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 FVTPL, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at 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 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.

**ALJAZIRA EUROPEAN EQUITIES FUND**  
**Open-Ended Mutua Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**4.3 Financial instruments (continued)**

**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 Financial liabilities**

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

The Fund holds only other receivables with no financing component and which have maturities of less than 12 months at amortized cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its other receivables. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECL reflects a probability-weighted outcome, the time value of money 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.

The Fund uses the provision matrix as a practical expedient to measure ECLs on these receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Fund. If a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Commission revenue on impaired financial assets is recognized using the rate of commission used to discount the future cash flows for the purpose of measuring the impairment loss.



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**4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**4.3 Financial instruments (continued)**

**4.3.5 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 purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

**4.3.6 Impairment of financial assets**

The Fund assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial instrument assets carried at amortized cost. The Fund recognizes 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.

**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.

**4.4 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.

**4.5 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).

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#### **4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)**

##### **4.5 Redeemable units (continued)**

- 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 or the change in the fair value of the recognized and unrecognized net assets 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 Unitholders.

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.

##### **4.6 Accrued expenses and other liabilities**

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

##### **4.7 Net gain or loss on financial assets Fair Value through Profit or Loss 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).

##### **4.8 Dividend income**

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

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#### 4 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

##### 4.9 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

##### 4.10 Management fees

Management fee is calculated at rate mentioned in terms and conditions of the Fund and is payable quarterly in arrears.

##### 4.11 Other expenses

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

##### 4.12 Zakat / taxation

According to the zakat regulations for investment funds, investment funds are not subject to the collection of zakat in accordance with the rules for zakat collection from investors in investment funds, provided that they do not carry out economic activities or investment activities that are not stipulated in the terms and conditions of those investment funds. Zakat will be collected from the fund's unit holders.

The fund manager must submit an information declaration to the Authority within a period not exceeding 120 days from the end of the fiscal year. The fund manager has registered the fund and will submit the annual zakat information return to the Authority.

##### 4.13 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.

##### 4.14 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

	Notes	As at 31 December	
		2023	2022
Cash with Custodian	5.1	1,070,239	1,210,783
		<u>1,070,239</u>	<u>1,210,783</u>

5.1 Cash in investment account is held in investment accounts with Northern Trust. The Fund does not earn profit from these investment accounts.

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**6 INVESTMENTS CARRIED AT FVTPL**

As at 31 December 2023			
	Cost	Market value	%
Pharmaceuticals	8,313,975	12,739,866	27.60
Semiconductors	3,249,140	5,221,595	11.31
Software	2,556,648	2,979,174	6.45
Food	2,401,529	2,976,359	6.45
Retail	2,074,882	2,486,108	5.39
Cosmetics/Personal Care	1,557,192	1,654,940	3.58
Building Materials	1,389,035	1,631,399	3.53
Computers	1,315,458	1,570,601	3.40
Electrical Component and Equipment	810,346	1,191,384	2.58
Chemicals	989,546	1,136,440	2.46
Auto Manufacturers	881,191	1,114,509	2.41
Metal Fabricate/Hardware	857,681	1,056,121	2.29
Apparel	811,839	966,727	2.09
Media	459,551	733,447	1.59
Other	8,254,019	8,706,287	18.86
<b>Total</b>	<b>35,922,032</b>	<b>46,164,957</b>	<b>100%</b>

As at 31 December 2022			
	Cost	Market value	%
Pharmaceuticals	7,153,523	10,557,870	24.98
Food	3,124,377	3,667,459	8.68
Semiconductors	2,453,482	3,496,536	8.27
Cosmetics/Personal Care	2,879,643	2,782,386	6.58
Retail	2,438,580	2,177,956	5.15
Commercial Services	2,067,559	1,749,118	4.14
Chemicals	1,319,839	1,251,194	2.96
Healthcare-Products	1,228,361	1,222,030	2.89
Media	995,264	1,187,478	2.81
Electrical Component and Equipment	914,603	1,178,620	2.79
Apparel	909,984	1,166,325	2.76
Software	1,425,925	1,152,903	2.73
Metal Fabricate/Hardware	1,120,990	1,062,338	2.51
Computers	1,153,122	968,524	2.29
Other	9,343,763	8,637,081	20.44
<b>Total</b>	<b>38,529,015</b>	<b>42,257,818</b>	<b>100%</b>

**ALJAZIRA EUROPEAN EQUITIES FUND**  
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**7 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 1.50% of the net assets (equity) of the Fund attributable to Unitholders, calculated on daily basis, as set out in the Fund's terms and conditions.

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. These expenses are not expected to exceed an annual rate of 0.25% of the value of Fund's net assets (equity) calculated on a daily basis.

*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.

<b>Related Parties</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>2023</b>	<b>2022</b>
Aljazira Capital Company	Fund Manager	Management fee	<b>(788,613)</b>	(816,113)
		Performance fee	<b>(285,472)</b>	-
Bank Aljazira	Affiliate	Bank charges	-	(4,878)
Fund's Board	Key executive	Board remuneration	<b>(4,291)</b>	(4,256)
Al Jazira Takaful Taawuni Company	Affiliate	Cash inflows from Subscription of Units	<b>3,068,533</b>	3,350,042
		Proceeds paid from Redemption of Units	<b>(6,101,129)</b>	(5,875,248)
AlJazira Asset Allocation Fund - Growth Strategy	Funds managed by the Fund Manager	Cash inflows from Subscription of Units	--	296,580
		Proceeds paid from Redemption of Units	--	(7,857,242)
AlJazira Asset Allocation Fund - Moderate Strategy	Funds managed by the Fund Manager	Cash inflows from Subscription of Units	--	45,167
		Proceeds paid from Redemption of Units	--	(2,073,566)
AlJazira Asset Allocation Fund - Conservative Strategy	Funds managed by the Fund Manager	Cash inflows from Subscription of Units	--	407,952
		Proceeds paid from Redemption of Units	--	(2,218,539)

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**8 RELATED PARTIES TRANSACTIONS AND BALANCES**

**7.1** Certain units of the Fund are subscribed by an affiliate of the Fund Manager and other funds managed and administered by the Fund Manager, the details of which are as follows:

Name of related parties	As at 31 December	
	2023	2022
	<i>(Unit in numbers)</i>	
<b>Affiliate</b>		
Al Jazira Takaful Taawuni Company	211,981	240,026

***Balances with related parties***

Related Parties	Nature of relationship	Nature of transaction	As at 31 December	
			2023	2022
Al Jazira Capital Company	Fund Manager	Management fee payable	(196,349)	(354,666)
Al Jazira Capital Company	Fund Manager	Performance fee payable*	(10,502)	(10,502)
Fund's Board	Key executive	Remuneration payable *	(4,267)	(8,511)
Al Jazira Takaful Taawuni Company	Affiliate	Share in net assets	44,253,178	42,583,013

\* Included in accrued expenses and other liabilities in the statement of financial position.

**8 UNIT TRANSACTIONS**

Transactions in units for the year are summarized as follows:

	31 December 2023	31 December 2022
	<i>(Unit in numbers)</i>	
<b>Units at beginning of the year</b>	242,657	315,886
Units issued during the year	16,277	22,487
Units redeemed during the year	(34,815)	(95,716)
Net change in units	(18,538)	(73,229)
<b>Units at end of the year</b>	224,119	242,657

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**9 NET GAIN / (LOSS) FROM INVESTMENTS CARRIED AT FVTPL**

	<b>31 December 2023</b>	31 December 2023
Unrealized gain / (loss) on revaluation of investments	<b>6,514,115</b>	(13,873,573)
Realized gain / (loss) on disposal of investments	<b>1,175,697</b>	(238,217)
	<b>7,689,812</b>	(14,111,790)

**10 FINANCIAL INSTRUMENTS BY CATEGORY**

<b>As at 31 December 2023</b>	<b>Amortized cost</b>	<b>FVTPL</b>
<b>Assets as per statement of financial position</b>		
Cash and cash equivalents	<b>1,070,239</b>	-
Investments carried at FVTPL	-	<b>46,164,957</b>
Dividend receivable	<b>29,808</b>	-
Prepayments and other receivables	<b>757</b>	-
<b>Total</b>	<b>1,100,804</b>	<b>46,164,957</b>
As at 31 December 2022	Amortized cost	FVTPL
Assets as per statement of financial position		
Cash and cash equivalents	1,210,783	-
Investments carried at FVTPL	-	42,257,818
Dividend receivable	17,654	-
Prepayments and other receivables	768	-
<b>Total</b>	<b>1,229,205</b>	<b>42,257,818</b>

All financial liabilities as at 31 December 2023 and 31 December 2022 were measured at amortized cost.

# ALJAZIRA EUROPEAN EQUITIES FUND

## Open-Ended Mutua Fund

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 11 RISK MANAGEMENT

##### 11.1 Financial risk factors

The objective of the Fund 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 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.

##### (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 in equity instruments measured at FVTPL are exposed to the foreign exchange risk in following currencies:

Currency	Country	As at 31 December			
		31 December 2023		31 December 2022	
		Fair value	%	Fair value	%
EUR	Europe	20,570,167	44.56	20,387,784	48.25
CHF	Switzerland	9,751,813	21.12	9,666,143	22.87
GBP	United Kingdom	6,753,037	14.63	5,401,323	12.78
DKK	Denmark	5,145,154	11.15	3,383,263	8.01
SEK	Sweden	2,444,497	5.30	2,805,297	6.64
NOK	Norway	295,756	0.64	62,119	0.15
		44,960,425	97.39	41,705,928	98.69

The effect on the net assets value (as a result of the change in the fair value of investments as at 31 December due to a reasonably possible change in foreign exchange rates, with all other variables held constant is as follows:

Currency	Country	As at 31 December			
		31 December 2023		31 December 2022	
		Potential reasonable change %	Effect on NAV	Potential reasonable change %	Effect on NAV
EUR	Europe	+/- 1%	205,702	+/- 1%	203,877
CHF	Switzerland	+/- 1%	97,518	+/- 1%	96,661
GBP	United Kingdom	+/- 1%	67,530	+/- 1%	54,013
DKK	Denmark	+/- 1%	51,452	+/- 1%	33,833
SEK	Sweden	+/- 1%	24,445	+/- 1%	28,053
NOK	Norway	+/- 1%	2,958	+/- 1%	621



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**11 RISK MANAGEMENT (CONTINUED)**

**11.1 Financial risk factors (continued)**

**(a) Market risk (continued)**

*(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.

The Fund is not subject to commission rate risk, as it does not have any commission bearing financial 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 investments in listed equity securities.

The effect on the net assets value (as a result of the change in the fair value of investments as at 31 December 2023 due to a reasonably possible change in the equity indices based on the underlying assets concentration, with all other variables held constants is as follows:

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>Potential reasonable change %</b>	<b>Effect on NAV</b>	<b>Potential reasonable change %</b>	<b>Effect on NAV</b>
Pharmaceuticals	+/- 1%	<b>127,399</b>	+/- 1%	105,578
Semiconductors	+/- 1%	<b>52,216</b>	+/- 1%	34,965
Software services	+/- 1%	<b>29,792</b>	+/- 1%	11,529
Food	+/- 1%	<b>29,764</b>	+/- 1%	36,674
Retail	+/- 1%	<b>24,861</b>	+/- 1%	21,779
Cosmetics and personal care	+/- 1%	<b>16,549</b>	+/- 1%	27,823
Building Materials	+/- 1%	<b>16,314</b>	+/- 1%	-
Computers	+/- 1%	<b>15,706</b>	+/- 1%	9,685
Electrical Component and Equipment	+/- 1%	<b>11,914</b>	+/- 1%	11,786
Chemical	+/- 1%	<b>11,364</b>	+/- 1%	12,511
Auto Manufacturers	+/- 1%	<b>11,145</b>	+/- 1%	-
Metal Fabricate/Hardware	+/- 1%	<b>10,561</b>	+/- 1%	10,623
Apparel	+/- 1%	<b>9,667</b>	+/- 1%	11,663
Media	+/- 1%	<b>7,334</b>	+/- 1%	11,874
Others	+/- 1%	<b>87,063</b>	+/- 1%	86,370

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**11 RISK MANAGEMENT (CONTINUED)**

**11.1 Financial risk factors (continued)**

**(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.

It is the 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, dividends receivable and other receivables. Cash and cash equivalents are placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

***Credit ratings***

The Fund Manager reviews credit concentration of the financial assets subject to credit risk based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies. As at 31 December 2023 and 31 December 2022, the Fund has financial assets subject to credit risk with the following credit quality:

Rating of financial institution	As at 31 December	
	2023	2022
<b>Cash and cash equivalents</b>		
Unrated	1,070,239	1,210,783

**(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 Unitholder redemptions. 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 (2022: due within 12 months).

**11.2 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.

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**11 RISK MANAGEMENT (CONTINUED)**

**11.3 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.

**12 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.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2023**  
**(Amounts in United States Dollars)**

**12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The Fund classifies all of its financial assets, except for those carried at amortized cost, at fair value as level 1.

31 December 2023	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
Investments carried at FVTPL	46,164,957	-	-	46,164,957
31 December 2022	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
Investments carried at FVTPL	42,257,818	-	-	42,257,818

During the year, there has been no transfer in fair value hierarchy for FVTPL investments.

Other financial instrument such as, cash at bank are short term assets whose carrying amount approximates their fair value. For all other financial assets and liabilities, the carrying value is an approximation of fair value.

**13 SUBSEQUENT EVENTS**

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

**14 LAST VALUATION DAY**

The last valuation day for the purpose of preparation of these financial statements was 31 December 2023 (2022: 29 December 2022).

**15 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorized for issue by the Fund's Board on 09 Ramadan 1445H corresponding to 19 March 2024G.