

**Saudi Equity Fund
Open-Ended Fund
(Managed by Alawwal Invest Company)
Financial Statements
For the Year ended 31 December 2022
Together with the
Independent Auditor's Report to the Unitholders**

SAUDI EQUITY FUND
Open-Ended Fund
(Managed by Alawwal Invest Company)

Financial Statements

For the Year Ending 31 December 2022

Together with the Independent Auditor's Report to the Unitholders

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PKF

Ibrahim Ahmed Al-Bassam & Co.
Certified Public Accountants
(Member of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF SAUDI EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the Fund financial statements present fairly, in all material respects, the financial position of the **SAUDI EQUITY FUND** (the "Fund") managed by Al Awwal Invest Company (the "Fund Manager") 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 (IFRSs) 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 unit holders 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 Regulations for Fund and the 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.

RIYADH
Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH
Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 11557



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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF SAUDI EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

Those charged with governance, i.e. the Fund Manager, is responsible for overseeing the Fund's financial reporting process.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE UNIT HOLDERS OF SAUDI EQUITY FUND

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Al-Bassam & Co.

Ibrahim A. Al-Bassam
Certified Public Accountant
License No. 337

Riyadh: 06 Ramadhan 1444H

Corresponding to: 28 March 2023



RIYADH

Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH

Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR

Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar11557

**SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)**

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Amounts in Saudi Arabian Riyals)

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	2,926,613	376,194
Investments carried at fair value through profit or loss (FVTPL)	7	26,981,980	32,936,850
Trade receivables	8	750,614	-
Total assets		30,659,207	33,313,044
LIABILITIES			
Accruals and other liabilities	11	119,780	123,762
Total liabilities		119,780	123,762
Net assets (equity) attributable to the unit holders		30,539,427	33,189,282
Units in issue (in numbers)		2,705,209	2,822,133
Net asset attributable to each unit		11.29	11.76

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

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

		31 December	31 December
	Note	2022	2021
<u>Income</u>			
Net (loss) / gain from investments carried at FVTPL	9	(705,324)	10,748,071
Dividend income		741,296	857,607
		35,972	11,605,678
<u>Expenses</u>			
Management fees	10	(692,682)	(614,844)
Other expenses	12	(324,970)	(199,838)
		(1,017,652)	(814,682)
Net (loss) / income for the year		(981,680)	10,790,996
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(981,680)	10,790,996

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

**SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)**

**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT
HOLDERS**

**For the year ended December 2022
(Amounts in Saudi Arabian Riyals)**

	31 December 2022	31 December 2021
Net assets (Equity) attributable to the Unitholders at beginning of the year	33,189,282	28,758,428
Total comprehensive (loss) / income for the year	(981,680)	10,790,996
Changes from unit transactions		
Issuance of units during the year	1,000,000	-
Redemption of units during the year	(2,668,175)	(6,360,142)
	(1,668,175)	(6,360,142)
Net assets (Equity) attributable to the unitholders at end of the year	30,539,427	33,189,282

UNIT TRANSACTIONS

	31 December 2022 Units	31 December 2021 Units
Units at the beginning of the year	2,822,133	3,472,315
Units issued during the year	77,214	-
Units redeemed during the year	(194,138)	(650,182)
Net decrease in unit	(116,924)	(650,182)
Units at end of the year	2,705,209	2,822,133

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

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

	Note	31 December 2022	31 December 2021
Cash flow from operating activities			
Net (loss) / income for the year		(981,680)	10,790,996
Unrealized (gain) on investments carried at FVTPL		(2,771,214)	(10,345,357)
Purchase of Investment		(35,090,975)	(7,212,386)
Proceeds from sale of Investments		43,817,059	12,673,523
(Increase) / decrease in trade receivables		(741,414)	3,170
Increase in accrued expenses		13,182	62,242
Net cash generated from operating activities		4,218,594	5,972,188
Cash flows from financing activities			
Payment on Redemption of units		(2,668,175)	(6,360,142)
Cash received on issuance of units		1,000,000	-
Net cash used in financing activities		(1,668,175)	(6,360,142)
Net (decrease) / increase in cash and cash equivalents		2,550,419	(387,954)
Cash and cash equivalents at beginning of the year		376,194	764,148
Cash and cash equivalents at end of the year		2,926,613	376,194

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

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Saudi Equity Fund (the “Fund”) is an open-ended fund domiciled in Kingdom of Saudi Arabia, created by an agreement between Alawwal Invest (the “Fund Manager”), a subsidiary of The Saudi British Bank (formerly a subsidiary of Alawwal Bank) (the “Bank”) and investors in the Fund (the “Unitholders”).

The Fund Manager registered office is at P.O. Box 1467, Riyadh 11431, Kingdom of Saudi Arabia.

Saudi Equity Fund	
Commencement Date	30 November 2005
Latest Governing Terms and Condition Date	August 14, 2022
Latest Governing Information Memorandum Date	August 14, 2022
Category	Conventional
Objective	Long-term capital appreciation
Investable Universe	Saudi equity markets
	Money Market funds

The Fund has appointed Riyadh Capital Company (the “Custodian”) to act as its custodian and registrar. The fees of the custody and registration services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, custody or other administrative services on behalf of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further amended on 12 07 (Rajab) 1442H (corresponding to 22 February 2021) (the “Amended Regulations”). The Fund Manager believes that the Amended Regulations was effective since 19 09 (Ramadan) 1442H (corresponding to 01 May 2021).

3. BASIS OF PREPARATION

3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”).

3.2. Basis of measurement

These financial statements have been prepared on a going concern basis under the historical cost convention, except for the investments at fair value through profit or loss that are measured at fair value. Furthermore, these financial statements are prepared, using the accrual basis of accounting.

3.3. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyal (SAR) which is also the functional currency of the Fund.

**SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)**

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.4. Financial year

The financial year of the Fund commences on 1 January and ends on 31 December of each calendar year.

3.5. Significant Accounting Judgements, Estimates, And Assumptions

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. 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 future periods affected. Major areas where estimates or judgements made are significant to the Fund's financial statements or where judgement was exercised in the application of accounting policies are as follows:

Use of Judgements

Assessment as investment entity

Entities that meet the definition of an investment entity under IFRS are required to measure their investments at fair value through profit or loss rather than applying equity accounting method or consolidation. The criteria, which define an investment entity, is as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis. The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund's investment proposal to the unit holders clearly states its objective of providing investment management services to investors, for the purpose of capital appreciation with a clearly documented exit strategy from the investment.

The Fund reports to its investors and to its management, the investment it manages on a fair value basis. The investment is reported at fair value to the extent allowed by accounting standards in the Fund's annual financials. The Fund's exit strategy for its investment is reviewed annually. Therefore, the Management concluded that the Fund meets the definition of an investment entity.

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.

**SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)**

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.5. Significant Accounting Judgements, Estimates, And Assumptions (Continued)

Use of Estimates

Measurement of fair values

The Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Fund uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted priced included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund recognizes transfers between the levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 14 of these financial statements.

Impairment of financial assets

The Fund applies and determines expected credit loss (ECL) model for the measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortized cost e.g., bank balances. An expected credit loss is the probability weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. For the determination of the expected credit loss, the fund evaluates among other factors, the credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statements of profit or loss and other comprehensive income.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

4.1. New standards, amendments to standards and interpretations

The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Fund, however, these does not have any impact on the financial statements of the Fund.

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.1. New standards, amendments to standards and interpretations (continued)

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p><i>Amendments to IFRS 3, 'Business combinations'</i> update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p><i>Amendments to IAS 16, 'Property, plant and equipment'</i> prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p><i>Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'</i> specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p><i>Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.</i></p>	Annual periods beginning on or after 1 January 2022.

Management has assessed the impact of new standards and amendments effective from 1 January 2022 and determined that they have no material impact on the financial statements of the Fund.

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.2. New standards, interpretations and amendments not yet effective

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective up to the date of issuance of the Fund's financial statements. The Fund has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>Note that the IASB has issued a new exposure draft proposing change to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	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.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.</p>	Deferred until accounting periods starting not earlier than 1 January 2024

SAUDI EQUITY FUND Open-Ended Fund
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Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)

4.2. New standards, interpretations and amendments not yet effective (continued)

Note that the IASB has issued a new exposure draft proposing change to this amendment.

Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
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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 the period of initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been adopted by the Fund and applied consistently throughout all years presented in these financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

Financial instruments

Initial recognition and measurement of financial assets

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

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss is recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

De-recognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial assets and substantially all the risks and rewards are transferred.

SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and subsequent measurement of financial assets

Financial assets are classified into the following specified categories:

- Financial assets at fair value through profit or loss (FVPL);
- Financial assets at fair value through other comprehensive income (FVOCI); or
- Financial assets at amortized cost.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate Sukuk, Murabaha placement.

Classification and subsequent measurement of debt instruments depend on:

- (i) The Fund's business model for managing the asset; and
 - (ii) The cash flow characteristics of the asset.
- **Financial assets at Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized in profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.
 - **Financial assets at Fair value through other comprehensive income:** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, special commission income and foreign exchange gains and losses on the instrument's amortized cost are recognized in profit or loss statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss statement. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.
 - **Fair value through profit or loss:** Financial assets that do not meet the criteria for amortized cost or FVOCI are classified as fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value is presented in the statement of profit or loss in the year in which it arises. Profit income from these financial assets is included in 'Special commission income' using the effective interest rate method.

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. Examples of equity instruments include basic ordinary shares.

The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund's management 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 generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported

**SAUDI EQUITY FUND Open-Ended Fund
(Managed by Alawwal Invest Company)**

Notes to Financial Statements

For the year ended 31 December 2022

(Amounts in Saudi Arabian Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments (continued)

separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of income as 'Dividend income' when the Fund's right to receive payments is established.

Impairment of financial assets

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

Liabilities are recognized on an accrual basis for amounts to be paid in the future in return for services received, whether or not billed by the provider.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Fund has designated a financial liability at FVPL.

Subsequently, financial liabilities are measured at amortized cost using the effective interest rate method.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the market price because this price provides a reasonable approximation of the exit price.

Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of assets and liabilities when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Amounts due to and due from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at FVTPL, for recognition and measurement.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date. Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

Provisions

Provisions are recognized when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to passage of time is recognized as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

Accrued expenses

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

Equity attributable to unitholders

The net assets attributable to the unitholders comprise redeemable units issued and accumulated profit generated by the Fund. The redeemable units are classified as equity as explained below.

Redeemable Units

Units subscribed and redeemed are recorded at the net assets value per unit on the Valuation Day for which the subscription request and redemption applications are received.

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

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's net assets.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redeemable Units (continued)

- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the 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.

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

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

Foreign currency translation

Transactions in foreign currencies are translated into SR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Monetary assets and liabilities denominated in foreign currencies are retranslated into SR at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognized as a component of net gain from financial instruments at FVTPL

Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")

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

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised 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).

Net assets value per unit

The net assets value per unit disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the reporting date.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat

Zakat is the obligation of the Unitholder and is not provided for in these financial statements.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made.

Dividend income

Dividend income is recognized in the statement of profit or loss when declared (i.e. when the Fund's right to receive the dividend is established).

Management fee, custody fee and other expenses

The Fund's expenses include management fee, custody fee and other expenses. Management and custody fee are based on predetermined rates as specified in the Terms and Conditions of the Fund. Detailed policies are as follows:

Management fee

Fund management fees are recognized on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed rates with the Fund Manager and as stated in the terms and conditions of the Fund.

Special commission income

Special commission income including special commission income from non-derivative financial assets measured at amortized cost, are recognized in the statement of comprehensive income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Custody fee

The Fund shall pay the Custodian an annual fee (the "Custodian Fee") equal to 0.0647% of the value of the Fund's assets (based on the most recent asset valuation). The Custody fee shall be paid in quarterly instalments.

6. CASH AND CASH EQUIVALENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash in current account	<u>2,926,613</u>	<u>376,194</u>
	<u>2,926,613</u>	<u>376,194</u>

6.1 The fund's balance with the bank is held in current account and does not earn profit.

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7. INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investments comprise the following sectors as at statement of financial position date:

Investment Sector	31 December 2022				31 December 2021			
	%	Market value	Cost	Unrealized gain / (loss)	%	Market value	Cost	Unrealized gain / (loss)
Banks	40.3	10,885,515	7,947,501	2,938,014	45.18	14,879,615	7,520,796	7,358,819
Food & Staples Retailing	10.6	2,851,376	2,954,667	(103,291)	-	-	-	-
Health Care Equipment & Svc	7.0	1,881,668	2,021,840	(140,172)	4.24	1,395,098	1,043,464	351,634
Utilities	6.6	1,767,437	1,752,865	14,572	1.37	451,817	333,973	117,844
Materials	5.6	1,512,878	1,245,596	267,282	22.82	7,517,452	5,906,948	1,610,504
Building & Construction Sector	5.2	1,410,367	1,492,165	(81,798)	1.08	355,010	350,800	4,210
Retailing	4.7	1,259,484	1,324,238	(64,754)	4.76	1,566,776	1,184,679	382,097
Transport Sector	4.1	1,104,138	1,128,472	(24,334)	-	-	-	-
Energy	3.9	1,045,170	980,301	64,869	6.62	2,181,920	2,253,600	(71,680)
Telecommunication Services	3.7	1,004,706	998,677	6,029	9.35	3,078,733	2,570,421	508,312
Energy & Utilities Sector	1.0	267,747	285,021	(17,274)	-	-	-	-
Software & Services	2.3	632,460	578,832	53,628	-	-	-	-
Capital Goods	2.3	630,016	693,394	(63,378)	1.04	343,312	223,018	120,294
Transportation	1.2	313,113	303,706	9,407	0.89	293,432	289,608	3,824
Food and beverages	0.0	-	-	-	1.03	338,325	372,239	(33,914)
Insurance	0.0	-	-	-	0.91	298,377	298,377	-
	98.46	26,566,075	23,707,275	2,858,800	99.28	32,699,867	22,347,923	10,351,944
Jahez	1.54	415,905	503,491	(87,586)	0.72	236,983	243,570	(6,587)
Total	100.00	26,981,980	24,210,766	2,771,214	100.00	32,936,850	22,591,493	10,345,357

SAUDI EQUITY FUND Open-Ended Fund
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8. TRADE RECEIVABLES

The details are given below:

Sale Proceed Receivable*	741,414
Advance Audit fee (Inclusive of VAT)	9,250
	<u>750,664</u>

*Sale proceeds are receivable for Sale of securities near to year end.

9. NET GAINS FROM INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	<u>31 December 2022</u>	<u>31 December 2021</u>
Realized (loss) / gain	(3,476,538)	402,714
Unrealized gain	2,771,214	10,345,357
	<u>(705,324)</u>	<u>10,748,701</u>

10. TRANSACTIONS WITH RELATED PARTIES

Transactions

Related party	Nature of transaction	For the year ended	
		31 December 2022	31 December 2021
Fund Manager	Management fee	(692,682)	(614,844)
	Board Members fee	(5,714)	(7,381)

Balances

Related party - Nature of transaction	31 December 2022	31 December 2021
Fund Manager - Management fee	(50,263)	(53,822)
Board Members fee	(5,714)	(7,381)
Employee of Bank (SAAB) - Units held	628	628

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11. ACCRUALS AND OTHER LIABILITIES

	31 December 2022	31 December 2021
Management fee payable	50,256	53,822
Audit fees	20,000	20,000
Custody fee	8,552	15,936
CMA fee	7,500	7,500
Board members fees	5,714	7,381
Tadawul fee	-	5,000
Accrued benchmarking fee	15,936	2,000
Others	11,822	12,123
	119,780	123,762

12. OTHER EXPENSES

	31 December 2022	31 December 2021
Valued Added Tax	119,945	99,694
Custody fee	81,949	24,784
Audit fees	20,000	20,000
Brokerage fee	68,926	19,543
Standard and Poor's benchmark fee	15,936	15,936
CMA monitoring fees	7,500	7,500
Board members fees	5,714	7,381
Tadawul fees	5,000	5,000
	324,970	199,838

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fund has only investments at fair value through profit or loss which are measured at fair values and are classified within level 1 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 1 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

14. FINANCIAL RISK MANAGEMENT

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

- Credit risk;
- Liquidity risk; and
- Market risk.

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

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management framework

The Fund's objective in managing risk is the creation and protection of Unitholder's value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk (which includes special commission rate risk, currency risk and price risk).

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. The composition of the portfolio are monitored by the Fund's Board on a semi-annual basis.

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. –.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

The Fund is exposed to credit risk on its bank balance. The table below shows the maximum exposure to credit risk for the component of the statement of financial position.

	31 December 2022	31 December 2021
Cash and cash equivalents	2,932,313	376,194
Trade receivables	750,664	-
	3,682,977	376,194

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on stock markets. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

	31 December 2022		
	Within 12 months	After 12 months	Total
Cash and cash equivalents	2,926,613	-	2,926,613
Investments carried at FVTPL	26,981,980	-	26,981,980
Trade receivables	750,614	-	750,614
TOTAL ASSETS	30,659,207	-	30,659,207
Accrued expenses and other liabilities	119,780	-	119,780
TOTAL LIABILITIES	119,780	-	119,780
Maturity gap	30,539,427	-	30,539,427
Cumulative maturity gap	30,539,427	-	30,539,427
	31 December 2021		
	Within 12 months	After 12 months	Total
Cash and cash equivalents	376,194	-	376,194
Investments carried at FVTPL	32,936,850	-	32,936,850
Trade receivables	-	-	-
TOTAL ASSETS	33,313,044	-	33,313,044
Accrued expenses and other liabilities	123,762	-	123,762
TOTAL LIABILITIES	123,762	-	123,762
Maturity gap	33,189,282	-	33,189,282
Cumulative maturity gap	33,189,282	-	33,189,282

Market risk

Market Risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and equity prices will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

Equity price risk

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

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

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14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

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

Sector	31 December 2022		31 December 2021	
	Potential reasonable change	Effect on NAV	Potential reasonable change	Effect on NAV
Banks	+/- 5%	544,276	+/- 5%	743,981
Food & Staples Retailing	+/- 5%	142,569	+/- 5%	-
Health Care Equipment & Services	+/- 5%	94,083	+/- 5%	69,755
Utilities	+/- 5%	88,372	+/- 5%	22,591
Materials	+/- 5%	75,644	+/- 5%	375,873
Building & Construction Sector	+/- 5%	70,518	+/- 5%	17,751
Retailing	+/- 5%	62,974	+/- 5%	78,339
Transport Sector	+/- 5%	55,207	+/- 5%	-
Energy	+/- 5%	52,259	+/- 5%	109,096
Telecommunication Services	+/- 5%	50,235	+/- 5%	153,937
Energy & Utilities Sector	+/- 5%	13,387	+/- 5%	-
Software & Services	+/- 5%	31,623	+/- 5%	-
Capital Goods	+/- 5%	31,501	+/- 5%	17,166
Transportation	+/- 5%	15,656	+/- 5%	14,672
Food and beverages	+/- 5%	-	+/- 5%	16,916
Insurance	+/- 5%	-	+/- 5%	14,919
Jahez IPO	+/- 5%	20,795	+/- 5%	11,849

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is not subject to fluctuations in foreign exchange rates as it ordinary transact in Saudi Riyal

15. SUBSEQUENT EVENTS

In the opinion of management, no events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

16. LAST VALUATION DAY

The last valuation day for the year was 31 December 2022 (31 December 2021).

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Fund's Board on 06 Ramadan 1444H corresponding to 28 March 2023G.