

# **SAUDI ISTITHMAR EQUITY FUND**

**(Managed by Saudi Fransi Capital)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**

# **SAUDI ISTITHMAR EQUITY FUND**

## **(Managed by Saudi Fransi Capital)**

### **FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT**

<b>Index</b>	<b>Page</b>
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes In Net Assets	5
Statement of Cash Flows	6
Notes to The Financial Statements	7 - 19

## INDEPENDENT AUDITOR'S REPORT

**TO: THE UNITHOLDERS OF  
SAUDI ISTITHMAR EQUITY FUND  
(Managed by Saudi Fransi Capital)**

### **Opinion:**

We have audited the financial statements of **Saudi Istithmar Equity Fund ("the Fund")** managed by Saudi Fransi Capital (the "Fund Manager"), which comprises the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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 "IFRSs as endorsed in KSA").

### **Basis of Opinion:**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as endorsed in Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethical requirements that are relevant to our audit of the financial statements in Kingdom of Saudi Arabia, 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 International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants – "SOCPA" and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, the Fund's terms and conditions and Information Memorandum, 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.



**Auditor's Responsibilities for the Audit of the Financial Statements:**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in 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.

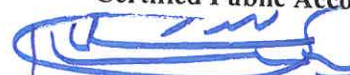
As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



**Al Azem, Al Sudairy, Al Shaikh & Partners**  
**Certified Public Accountants**

  
**Salman B. Al Sudairy**  
**License No. 283**

27 Shaban 1443H (March 30, 2022)  
Riyadh, Kingdom of Saudi Arabia

SAUDI ISTITHMAR EQUITY FUND  
(MANAGED BY SAUDI FRANSI CAPITAL)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December 2021 SR	31 December 2020 SR
	Notes		
<b><u>ASSETS</u></b>			
Cash and cash equivalents	7	14,285,104	11,248,958
Investments measured at fair value through profit or loss (FVTPL)	8	319,408,205	280,788,501
Prepayments and other assets		3,878,798	307,656
<b>TOTAL ASSETS</b>		<b>337,572,107</b>	<b>292,345,115</b>
<b><u>LIABILITIES</u></b>			
Management fee payable	10	568,836	491,963
Accruals and other liabilities		47,126	78,234
Payable against units redeemed		-	222,164
Due to related party	10	-	1,634,324
<b>TOTAL LIABILITIES</b>		<b>615,962</b>	<b>2,426,685</b>
<b>Net assets attributable to the unitholders</b>		<b>336,956,145</b>	<b>289,918,430</b>
Units in issue		25,575.6155	30,082.3892
<b>Net assets value attributable to the each unit</b>		<b>13,174.8988</b>	<b>9,637.4802</b>

The accompanying notes 1 to 16 form an integral part of these financial statements.

**SAUDI ISTITHMAR EQUITY FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL)**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

		<i>For the year ended 31 December 2021</i>	<i>For the year ended 31 December 2020</i>
	<i>Notes</i>	<i>SR</i>	<i>SR</i>
<b><u>INVESTMENT INCOME</u></b>			
Net gain on investments measured at fair value through profit or loss (FVTPL)	9	<b>93,674,157</b>	18,695,987
Dividend income		<b>7,992,634</b>	6,824,088
Other income		<b>31,697</b>	61,622
		<b>101,698,488</b>	25,581,697
<b><u>EXPENSES</u></b>			
Management fees	10	<b>(6,364,415)</b>	(5,219,994)
Other expenses	11	<b>(1,075,752)</b>	(356,534)
		<b>(7,440,167)</b>	(5,576,528)
<b>NET INCOME FOR THE YEAR</b>		<b>94,258,321</b>	20,005,169
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>94,258,321</b>	20,005,169

The accompanying notes 1 to 16 form an integral part of these financial statements.

**SAUDI ISTITHMAR EQUITY FUND**  
**(MANAGED BY SAUDI FRANSI CAPITAL)**

**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 31 December 2021

	<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
<b>NET ASSETS AT THE BEGINNING OF THE YEAR</b>	<b>289,918,430</b>	327,861,304
<b>CHANGES FROM OPERATIONS</b>		
Net income for the year	<b>94,258,321</b>	20,005,169
Total comprehensive income	<b>94,258,321</b>	20,005,169
<b>CHANGES FROM UNIT TRANSACTIONS</b>		
Proceeds from units issued	<b>6,876,642</b>	1,333,258
Value of units redeemed, net	<b>(54,097,248)</b>	(59,281,301)
Net change from unit transactions	<b>(47,220,606)</b>	(57,948,043)
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>336,956,145</b>	289,918,430

**UNIT TRANSACTIONS**

Transactions in units are summarised as follows:

	<i>For the year ended 31 December 2021 Units</i>	<i>For the year ended 31 December 2020 Units</i>
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>30,082.3892</b>	36,860
Units issued	<b>572.7224</b>	154.3892
Units redeemed	<b>(5,079.4961)</b>	(6,932)
Net change in units	<b>(4,506.7737)</b>	(6,777.6108 )
<b>UNITS AT THE END OF THE YEAR</b>	<b>25,575.6155</b>	30,082.3892

The accompanying notes 1 to 16 form an integral part of these financial statements.

SAUDI ISTITHMAR EQUITY FUND  
(MANAGED BY SAUDI FRANSI CAPITAL)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
	<i>Notes</i>		
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net income for the year		<b>94,258,321</b>	20,005,169
<i>Adjustments to reconcile net income to net cash from generated from operating activities:</i>			
Unrealised gain on investments measured at FVTPL	9	<b>(18,546,184)</b>	(8,125,234)
		<b>75,712,137</b>	11,879,935
<b>Changes in operating assets and liabilities:</b>			
Investments measured at fair value through profit or loss (FVTPL)		<b>(20,073,520)</b>	17,617,055
Prepayments and other assets		<b>(3,571,142)</b>	(307,656)
Due to related party		<b>(1,634,324)</b>	(25,185)
Management fee payable		<b>76,873</b>	(5,396)
Accruals and other liabilities		<b>(31,108)</b>	(32,838)
<b>Net cash flow generated from operating activities</b>		<b>50,478,916</b>	29,125,915
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Proceeds from units issued		<b>6,876,642</b>	1,333,258
Value of units redeemed		<b>(54,319,412)</b>	(59,059,137)
<b>Net cash flow (used) in financing activities</b>		<b>(47,442,770)</b>	(57,725,879)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3,036,146</b>	(28,599,964)
Cash and cash equivalents at the beginning of the year		<b>11,248,958</b>	39,848,922
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>14,285,104</b>	11,248,958

The accompanying notes 1 to 16 form an integral part of these financial statements.



# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 1. GENERAL

Saudi Istithmar Equity Fund (the “Fund”) is an open ended investment fund based on an agreement between Saudi Fransi Capital (the “Fund Manager”) and the investors (the “Unit holders”). The Fund commenced its operations on 15 Dhul-Hijjah 1431H (corresponding to 5 June 1993).

The objective of the Fund is to provide medium to long term growth by investing in listed companies in the Saudi Arabia Stock Market.

During the year, the Fund updated its terms and conditions on 20 Rajab 1442H (corresponding to 04 March 2021) and 26 Dhu al Hijah 1442H (corresponding to 5 August 2021), which have been approved by the Capital Market Authority “CMA”.

The Fund Manager and Administrator of the Fund is Saudi Fransi Capital. The Custodian of the fund is HSBC Saudi Arabia.

### 2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and amended by resolution of the Board of the Capital Market Authority on 12 Rajab 1442H (corresponding to 24 February 2021) effective from 19 Ramadan 1442H (corresponding to 1 May 2021) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 17 Rajab 1442H (corresponding to 1 March 2021) in addition to the new amendment number 2-22-2021 issued on 12 Rajab 1442H (Corresponding to 24 February 2021) detailing requirements for all funds within the Kingdom of Saudi Arabia.

### 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 that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to “IFRS as endorsed in KSA”).

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 13.

#### 3.2 BASIS OF MEASUREMENT

The financial statements are prepared under the historical cost convention, using the accrual basis of accounting except for investment held at fair value through profit or loss.

#### 3.3 FUNCTIONAL CURRENCY

These financial statements are presented in Saudi Riyal (“SR”), which is the Fund’s functional currency.

#### 3.4 SUBSCRIPTION/REDEMPTION

Subscription / redemption requests are accepted on Monday, Wednesday and Thursday. The value of the Fund’s portfolio is determined daily. The net asset value of the Fund for the purpose of purchase or sale of units is determined by dividing the net assets (fair value of the Fund’s assets minus fund’s liabilities) of the fund by the total number of outstanding fund units.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2020.

#### *Financial instruments*

##### *Initial recognition*

The Fund records financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets or financial liabilities are measured at their fair value. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

##### *Classification*

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Fund for managing the financial assets, and contractual cash flow characteristics.

The Fund measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Fund classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities measured at fair value through profit or loss.

##### *Derecognition of financial instruments*

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of the transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized financing for the proceeds received.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

##### *Offsetting of financial instruments*

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

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Impairment of financial assets*

The Fund assesses on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

#### *Redeemable Units*

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unit Holder to a pro rata share of the Fund’s net assets 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 Unit Holder’s rights to a pro rata share of the Fund’s net assets
- 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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument

In addition to the redeemable shares 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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in net assets attributable to the Unit Holders. 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 recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund’s own equity instruments.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 12.

#### *Trade date accounting*

The Fund follows trade date accounting for all purchases and sales of financial assets (i.e. the date that the Fund commits to purchase or sell the assets).

#### *Cash and cash equivalents*

Cash and cash equivalent include accounts maintained with the bank and custodian.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Provisions*

Provisions are recognised 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 recognised 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 and other payables*

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

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values due to the fact that all are to be settled within one year from the reporting date, accordingly, the said liabilities are not recognised at amortized cost.

#### *Management fees*

Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager will charge a management fee of 1.75% per annum plus applicable VAT on the net asset value accrued daily and paid on a monthly basis.

#### *Expenses*

Expenses are measured and recognized on an accrual basis in the accounting year in which they are incurred.

#### *Zakat and income tax*

Zakat at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

#### *Net asset value per unit*

Net assets value per unit as 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 year end.

#### *Net gain or loss on financial assets and liabilities at 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 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 year. 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.

#### *Dividend income*

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

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

#### *Going concern*

The Fund Manager 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 upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

### 6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

#### *New IFRS, amendments and interpretations issued not yet effective and not early adopted*

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

### 7. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	31 December 2020 SR
Bank balances (See note below)	78,972	9,370
Cash with custodian	14,206,132	11,239,588
	<b>14,285,104</b>	<b>11,248,958</b>

The bank balances represent the cash in a current account maintained with Banque Saudi Fransi (Note 10).

The management has conducted a review as required under IFRS 9 and based on such an assessment, the management believes that there is no need for any significant impairment loss against the carrying value of bank balances

### 8. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of investments measured at FVTPL is summarized below:

	31 December 2021		
<u>Saudi Equity Sectors</u>	Cost SR	Market Value SR	% of Market Value
Bank	89,900,582	139,584,118	43.70
Energy	31,238,288	30,795,667	9.64
Health Care Equipment & Services	20,695,568	22,973,147	7.19
Food & Beverage	11,205,813	8,711,966	2.73
Insurance	9,283,677	10,049,580	3.15
Materials	22,738,973	23,390,878	7.32
Retailing	26,922,676	28,379,317	8.88
Tele Communication and IT	41,109,038	47,245,732	14.80
Utilities	8,236,945	8,277,800	2.59
	<b>261,331,560</b>	<b>319,408,205</b>	<b>100.00</b>



# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 8. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (CONTINUED)

<i><u>Saudi Equity Sectors</u></i>	<i>31 December 2020</i>		
	<i>Cost</i> <i>SR</i>	<i>Market Value</i> <i>SR</i>	<i>% of Market Value</i>
Bank	75,513,810	89,743,619	31.96
Commercial & Professional Services	5,497,173	6,069,055	2.16
Energy	30,413,116	31,391,248	11.18
Health Care Equipment & Services	5,060,300	11,031,454	3.93
Insurance	8,851,291	10,643,696	3.79
Materials	56,786,310	65,603,465	23.36
Retailing	13,422,496	16,032,513	5.71
Real Estate	8,269,708	8,450,618	3.02
Tele Communication	18,791,068	20,173,920	7.18
Utilities	11,394,411	11,908,297	4.24
Transportation	7,258,358	9,740,616	3.47
	<u>241,258,041</u>	<u>280,788,501</u>	<u>100.00</u>

### 9. NET GAIN ON INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	<i>For the year ended</i> <i>31 December</i> <i>2021</i> <i>SR</i>	<i>For the year ended</i> <i>31 December</i> <i>2020</i> <i>SR</i>
Realised gain on sale of investments, net	<b>75,127,973</b>	10,570,753
Unrealised gain on investments, net	<b>18,546,184</b>	8,125,234
	<u><b>93,674,157</b></u>	<u>18,695,987</u>

### 10. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include Saudi Fransi Capital ("the Fund Manager"), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Funds' Board of Directors (BOD), affiliates of the Fund Manager, the Funds managed by the Fund Manager and the Unit holders of the Fund.

In the ordinary course of its activities, the Fund transacts business with related parties.

The Fund pays the Fund Manager a management fee calculated at an annual rate of 1.75% per annum plus applicable taxes calculated on the total net assets value on daily basis. The fee is intended to compensate the Fund Manager for management and administration of the Fund.

Subscription fee up to 3% of the invested amount is adjusted by deduction from the gross subscription, hence, it does not impact or reflect in the financial statements of the Fund.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 10. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Related party transactions and balances are as follows:

Related party	Nature of transactions	Amount of transactions		Balance	
		For the year ended	For the year ended	31	31
		31 December 2021	31 December 2020	December 2021	December 2020
		SR	SR	SR	SR
Saudi Fransi Capital	Management fees	(6,364,415)	(5,219,994)	(568,836)	(491,963)
	Due to related party	-	-	-	(1,634,324)
Board of Directors	Brokerage fee	(285,668)	(23,082)	-	-
	Annual remuneration	(5,281)	(6,759)	-	-
Banque Saudi Fransi	Dividend Income	-	334,429	-	-
	Net loss on investments measured at FVTPL	(528,063)	(2,399,662)	-	-
	Investment at FVTPL	-	-	-	8,561,578

The units in issue at 31 December 2021, include 21 units held by the employees of Banque Saudi Fransi and Saudi Fransi Capital (31 December 2020: 14 units).

The units in issue at 31 December 2021 include 271 units held by Allianz Saudi Fransi (31 December 2020: 294).

At the end of the year, cash balance with the Banque Saudi Fransi is SR 78,972(31 December 2020: SR 9,370).

During the year, the Fund has obtained funding from Saudi Fransi Capital amounting to SR 28.9 Million (31 December 2020: SR 12.8 million) in order to invest in Initial Public Offering (IPO). The funding amount was re-paid to Saudi Fransi Capital during the year. The funding was received with zero markup.

### 11. OTHER EXPENSES

	For the year ended 31 December 2021	For the year ended 31 December 2020
	SR	SR
Trade commission expense	699,046	-
Custody fees	254,544	223,446
Audit fees	40,250	36,800
Benchmark fees	6,394	31,875
CMA fees	7,500	7,500
Directors fee	5,281	6,759
Tadawul Registration fee	5,750	5,250
Others	56,987	44,904
	<b>1,075,752</b>	<b>356,534</b>

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Determination of fair value and fair value hierarchy

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability the principal or the most advantageous market must be accessible to the Fund.

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

Level 1: quoted market price: financial instruments with quoted unadjusted prices for identical instruments in active markets.

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

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

The Fund's financial assets consist of bank balance, investments held at FVTPL and due from brokers. The Fund's financial liabilities consist of management fee payable and accruals and other liabilities.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value.

	<i>Carrying value</i>	<i>Fair value</i>			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>31 December 2021</b>					
Investments measured at FVTPL	<b>319,408,205</b>	<b>319,408,205</b>	-	-	<b>319,408,205</b>
<b>31 December 2020</b>					
Investments measured at FVTPL	280,788,501	280,788,501	-	-	280,788,501

During the year ended 31 December 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

<i>31 December 2021</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	14,285,104	-	14,285,104
Investments measured at fair value through profit or loss (FVTPL)	319,408,205	-	319,408,205
Prepayments and other assets	3,878,798	-	3,878,798
<b>TOTAL ASSETS</b>	<b>337,572,107</b>	<b>-</b>	<b>337,572,107</b>
<b>LIABILITIES</b>			
Management fee payable	568,836	-	568,836
Accruals and other liabilities	47,126	-	47,126
<b>TOTAL LIABILITIES</b>	<b>615,962</b>	<b>-</b>	<b>615,962</b>
<i>31 December 2020</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	11,248,958	-	11,248,958
Investments measured at fair value through profit or loss (FVTPL)	280,788,501	-	280,788,501
Prepayments and other assets	307,656	-	307,656
<b>TOTAL ASSETS</b>	<b>292,345,115</b>	<b>-</b>	<b>292,345,115</b>
<b>LIABILITIES</b>			
Management fee payable	491,963	-	491,963
Accruals and other liabilities	78,234	-	78,234
Payable against units redeemed	222,164	-	222,164
Due to related party	1,634,324	-	1,634,324
<b>TOTAL LIABILITIES</b>	<b>2,426,685</b>	<b>-</b>	<b>2,426,685</b>

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

#### *Introduction*

The Fund's objective in managing risk is the protection of unitholder's value. Risk is inherent in the Fund's activities and is managed through a process of ongoing risk identification, measurement and monitoring. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes foreign currency risk and equity price risk), credit risk and liquidity risk arising from the financial instruments it holds.

#### *Risk management*

The Fund's Investment Manager is primarily responsible for identifying and controlling risks.

#### *Risk measurement and reporting system*

Monitoring and controlling risks is primarily set up to be performed based on limits as specified in the Investment Fund Regulations. These limits reflect the business strategy and the market environment of the Fund. In addition, the Compliance Department of the Fund Manager monitors the exposures against the approved limits.

#### *Risk mitigation*

The Fund's investment guidelines as specified in Terms and Conditions, Information memorandum and fact sheet set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

#### *Concentration risk*

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 guidelines to focus on maintaining a diversified portfolio based on the recommendations of Investment Committee.

Note 8 to the financial statements analyse the Fund's concentration of equity portfolio by industrial distribution.

#### *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.

The Fund Manager seeks to limit its credit risk by monitoring credit exposure, credit ratings and by dealing with reputed counterparties.

# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### *Credit risk (continued)*

The following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	<b>31 December 2021 SR</b>	<b>31 December 2020 SR</b>
Cash and cash equivalents	<b>14,285,104</b>	11,248,958
Prepayments and other assets	<b>3,878,798</b>	307,656
	<b>18,163,902</b>	11,556,614

#### *Market risk*

Market risk is the risk that changes in the market prices, such as foreign exchange rates, equity prices and interest rates, will affect the Fund's income or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

#### *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 industrial distribution.

#### *Sensitivity analysis*

The table below sets out the effect on statement of comprehensive income 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 interest and foreign currency rates, remain constant.

	<b>31 December 2021 SR</b>	<b>31 December 2020 SR</b>
<i>Strengthening of 5%</i>	<b>15,970,410</b>	14,039,425
<i>Weakening of 5%</i>	<b>(15,970,410)</b>	(14,039,425)

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument may fluctuate due to change in foreign exchange rates. The financial instruments of the Fund i.e. cash and cash equivalents, investments measured at FVTPL, dividend receivable, due to related party and payables are denominated in Saudi Arabia Riyals. Accordingly, the Fund is not exposed to any currency risk.



# SAUDI ISTITHMAR EQUITY FUND

(Managed by Saudi Fransi Capital)

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### *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 assets.

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. The Fund's securities are considered to be readily realizable as they are all listed on Tadawul (Saudi Stock Exchange). 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.

In addition to the above, the Fund can potentially utilize an overdraft facility offered by the Fund Manager to meet liquidity requirements.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

### 15. LAST VALUATION DAY

The last valuation day of the year was 30 December 2021 (31 December 2020; 31 December 2020).

### 16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 27 Sha'baan 1443H (corresponding to 30 March 2022).