

AL BADR MURABAHA FUND (USD)
(Managed by Saudi Fransi Capital)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT

AL BADR MURABAHA FUND (USD)
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INDEPENDENT AUDITOR'S REPORT

**TO: THE UNITHOLDERS OF
AL BADR MURABAHA FUND (USD)
(Managed by Saudi Fransi Capital)**

Opinion:

We have audited the financial statements of **Al Badr Murabaha Fund (USD) ("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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
AL BADR MURABAHA FUND (USD)
(Managed by Saudi Fransi Capital)

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

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Note</i>	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
<u>ASSETS</u>			
Cash and cash equivalents	7	115,642	1,470,323
Investments measured at fair value through profit or loss (FVTPL)	8	6,141,504	4,663,549
Investments measured at amortised cost	9	27,774,964	21,233,421
Prepayments and other assets		61	380
TOTAL ASSETS		34,032,171	27,367,673
<u>LIABILITIES</u>			
Payable against units redeemed		49,632	-
Management fee payable	12	8,599	6,485
Accruals and other liabilities		6,228	5,529
TOTAL LIABILITIES		64,459	12,014
Net assets attributable to the unitholders		33,967,712	27,355,659
Units in issue		20,531,533	16,611,239
Net assets value attributable to each unit		1.6544	1.6468

The accompanying notes 1 to 19 form an integral part of these financial statements.

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	<i>For the year Ended 31 December 2021 USD</i>	<i>For the year Ended 31 December 2020 USD</i>
	<u> </u>	<u> </u>	<u> </u>
<u>INVESTMENT INCOME</u>			
Special commission income	10	217,097	265,536
Net gain on investments measured at fair value through profit or loss	11	39,800	28,096
Other income		4,529	3,795
		<u>261,426</u>	<u>297,427</u>
<u>EXPENSES</u>			
Management fees	12	(87,684)	(104,492)
Other expenses	13	(27,520)	(22,570)
		<u>(115,204)</u>	<u>(127,062)</u>
NET INCOME FOR THE YEAR		146,222	170,365
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		146,222	170,365
		<u><u> </u></u>	<u><u> </u></u>

The accompanying notes 1 to 19 form an integral part of these financial statements.

AL BADR MURABAHA FUND (USD)
(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 USD</i>	<i>For the year ended 31 December 2020 USD</i>
NET ASSETS AT THE BEGINNING OF THE YEAR	27,355,659	25,974,307
CHANGES FROM OPERATIONS		
Net income for the year	146,222	170,365
Total comprehensive income	146,222	170,365
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units issued	19,456,689	15,246,506
Value of units redeemed	(12,990,858)	(14,035,519)
Net change from unit transactions	6,465,831	1,210,987
NET ASSETS AT THE END OF THE YEAR	33,967,712	27,355,659

UNIT TRANSACTIONS

Transactions in units during the years are summarised as follows:

	<i>For the year ended 31 December 2021 Units</i>	<i>For the year ended 31 December 2020 Units</i>
UNITS AT THE BEGINNING OF THE YEAR	16,611,239	15,877,286
Units issued	11,797,090	9,275,444
Units redeemed	(7,876,796)	(8,541,491)
Net change in units	3,920,294	733,953
UNITS AT THE END OF THE YEAR	20,531,533	16,611,239

The accompanying notes 1 to 19 form an integral part of these financial statements.

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	<i>Note</i>	<i>For the year ended 31 December 2021 USD</i>	<i>For the year ended 31 December 2020 USD</i>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income for the year		146,222	170,365
<i>Adjustment to reconcile net income to net cash used in operating activities</i>			
Unrealised loss / (gain) on investments measured at FVTPL	11	14,630	(24,370)
		160,852	145,995
Changes in operating assets and liabilities:			
Investments measured at fair value through profit and loss (FVTPL)		(1,492,585)	(4,639,179)
Investments measured at amortised cost		(6,541,543)	776,326
Prepayments and other assets		319	(380)
Management fee payable		2,114	(2,667)
Accruals and other liabilities		699	(694)
Net cash flow (used in) operating activities		(7,870,144)	(3,720,599)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from units issued		19,456,689	15,246,506
Value of units redeemed		(12,941,226)	(14,035,519)
Net cash flow generated from financing activities		6,515,463	1,210,987
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,354,681)	(2,509,612)
Cash and cash equivalents at the beginning of the year		1,470,323	3,979,935
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		115,642	1,470,323

The accompanying notes 1 to 19 form an integral part of these financial statements.

AL BADR MURABAHA FUND (USD) (MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

Al Badr Murabaha Fund US Dollar (the “Fund”) is an open ended Shariah compliant investment fund based on an agreement between Saudi Fransi Capital (the “Fund Manager”) and investors (the “Unitholders”). The Fund commenced its operations on 18 August 1997.

The objective of the Fund is to provide capital preservation and liquidity. The Fund invests in Shariah compliant debt instruments.

During the year, the Fund updated its terms and conditions on 18 Dhu Al Qa’dah 1442H (corresponding to 28 June 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 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 15.

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 that are measured at fair value and financial assets measured at amortised cost.

3.3 FUNCTIONAL CURRENCY

These financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency.

3.4 SUBSCRIPTION/REDEMPTION

Subscription / redemption requests are accepted on every business / working day. 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.

AL BADR MURABAHA FUND (USD) (MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting 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 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.

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

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 and FVOCI, 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.

Financial instruments (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 14.

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade date accounting

The Fund follows trade date accounting for all placements of money market instruments, purchase of Sukuks and sales of financial assets classified at FVTPL (i.e. the date that the Fund commits to place, purchase or sell the assets).

Cash and cash equivalents

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

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.

AL BADR MURABAHA FUND (USD)
(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 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 upto 0.5% per annum plus applicable VAT of the net asset value accrued daily and paid on a monthly basis.

Expenses

Expenses are measured and recognized as expenses 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 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.

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.

Foreign currency translation

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions.

Foreign exchange gains and losses arising from translation are included in profit or loss. Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the exchange rate at the reporting date.

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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

Special commission income

Special commission income is recognized on straight-line basis.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, 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

	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Bank balances (See below)	102,818	11,329
Cash with custodian	12,824	1,458,994
	115,642	1,470,323

The bank balances represent the cash in a current account maintained with Banque Saudi Fransi (Note 12).

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.

AL BADR MURABAHA FUND (USD)
(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)

These investments are composed of the following:

	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Investments in mutual fund (see “a” below)	<u>6,141,504</u>	<u>4,663,549</u>
	<u>6,141,504</u>	<u>4,663,549</u>

a.) The composition of investments in mutual fund on the last valuation day of the period is summarized below :

	<i>Cost USD</i>	<i>Market value USD</i>	<i>% of Market Value</i>
<u><i>31 December 2021</i></u>			
Riyadh Commodity Trading SAR Fund	711,537	716,481	11.67
Al Rajhi Commodity Fund	5,420,228	5,425,023	88.33
	<u>6,131,765</u>	<u>6,141,504</u>	<u>100.00</u>
<u><i>31 December 2020</i></u>			
Riyadh Commodity Trading SAR Fund	4,639,179	4,663,549	100.00

9. INVESTMENTS MEASURED AT AMORTISED COST

Investments measured at amortised costs are comprised of the following:

	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Money market placements (see note “a” below)	26,853,920	20,309,947
Investment in Sukuk (see note “b” below)	921,044	923,474
	<u>27,774,964</u>	<u>21,233,421</u>

a.) Money market placements are composed of the following:

	<i>% of Value</i>	<i>Cost USD</i>
<u><i>31 December 2021</i></u>		
<i>Remaining maturity</i>		
Up to 1 month	13.43	3,605,332
1-3 months	38.95	10,458,408
3-6 months	47.62	12,790,180
	<u>100.00</u>	<u>26,853,920</u>

AL BADR MURABAHA FUND (USD)
(MANAGED BY SAUDI FRANSI CAPITAL)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

9. INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

31 December 2020

<i>Remaining maturity</i>	<i>% of Value</i>	<i>Cost USD</i>
Up to 1 month	16.26	3,301,797
1-3 months	66.50	13,506,937
3-6 months	17.24	3,501,213
	100.00	20,309,947
	100.00	20,309,947

b.) Sukuk carry floating commission rate plus margin. The carrying value of Sukuk is as follows:

	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Carrying value	921,044	923,474
	921,044	923,474

The composition of investment in sukuk by maturity as at each year-end are is set out below:

	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
3-5 years	921,044	923,474
	921,044	923,474

The Management has conducted a review as required under IFRS 9. Based on the assessment, the management believes that there is no need for any significant impairment loss against the carrying value of net investment measured at amortised cost at the reporting date.

10. SPECIAL COMMISSION INCOME

	<i>For the year ended 31 December 2021 USD</i>	<i>For the year ended 31 December 2020 USD</i>
Income from money market placements	184,077	235,219
Income from investment in Sukuk	33,020	30,317
	217,097	265,536

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For the year ended 31 December 2021

11. NET GAIN ON INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>For the year ended 31 December 2021 USD</i>	<i>For the year ended 31 December 2020 USD</i>
Realised gain on sale of investments, net	54,430	3,726
Unrealised (loss) / gain on investments, net	(14,630)	24,370
	39,800	28,096

12. 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 up to 0.5% 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 administration and management of the Fund.

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

Related party transactions for the years ended and balances are as follows:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of Transactions</i>		<i>Balance Receivables / (Payables)</i>	
		<i>For the year ended 31 December 2021 USD</i>	<i>For the year ended 31 December 2020 USD</i>	<i>31 December 2021 USD</i>	<i>31 December 2020 USD</i>
Saudi Fransi Capital	Management fees	(87,684)	(104,492)	(8,599)	(6,485)
Board of Directors	Annual remuneration	(495)	(535)	-	-

The units in issue as at 31 December 2021 include 11,527 units held by the employees of Banque Saudi Fransi and Saudi Fransi Capital (31 December 2020: Nil units).

The units in issue as at 31 December 2021 include 2,413,241 units held by Allianz Saudi Fransi (31 December 2020: 2,390,313 units).

At the end of the year, cash balance with the Banque Saudi Fransi is USD 102,818 (31 December 2020: USD 11,329).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

13. OTHER EXPENSES

	<i>For the year ended 31 December 2021 SR</i>	<i>For the year ended 31 December 2020 SR</i>
Audit fee	10,733	9,813
Custody fee	6,842	5,763
CMA fee	2,000	2,000
Tadawul Registration fee	1,533	1,400
Director fees	495	535
Other	5,917	3,059
	<u>27,520</u>	<u>22,570</u>

14. 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 measured at amortised cost, prepaid expenses and other receivables, and Investments measured at fair value through profit and loss (FVTPL). The Fund's financial liabilities consist of management fee payable, accruals and other liabilities, and payable against redemption of units.

The following table shows the carrying amount and fair values of financial assets, including their levels in the fair value hierarchy for financial instruments measured at fair value.

	<i>Carrying value</i> SR	<i>Fair values</i>			<i>Total</i> SR
		<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	
<i>31 December 2021</i>					
Investments measured at FVTPL	6,141,504	6,141,504	-	-	6,141,504
	<u>6,141,504</u>	<u>6,141,504</u>	<u>-</u>	<u>-</u>	<u>6,141,504</u>
<i>31 December 2020</i>					
Investments measured at FVTPL	4,663,549	4,663,549	-	-	4,663,549
	<u>4,663,549</u>	<u>4,663,549</u>	<u>-</u>	<u>-</u>	<u>4,663,549</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The above table 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. The fair values of financial instruments are not significantly different from the carrying values included in the financial statements due to the short duration of material financial instruments.

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.

15. 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 USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	115,642	-	115,642
Investments measured at fair value through profit or loss (FVTPL)	6,141,504	-	6,141,504
Investments measured at amortised cost	26,853,920	921,044	27,774,964
Prepayments and other assets	61	-	61
TOTAL ASSETS	33,111,127	921,044	34,032,171
LIABILITIES			
Payable against units redeemed	49,632	-	49,632
Management fee payable	8,599	-	8,599
Accruals and other liabilities	6,228	-	6,228
TOTAL LIABILITIES	64,459	-	64,459
<i>31 December 2020</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	1,470,323	-	1,470,323
Investments measured at fair value through profit or loss (FVTPL)	4,663,549	-	4,663,549
Investments measured at amortised cost	20,309,947	923,474	21,233,421
Prepayments and other assets	380	-	380
TOTAL ASSETS	26,444,199	923,474	27,367,673
LIABILITIES			
Management fee payable	6,485	-	6,485
Accruals and other liabilities	5,529	-	5,529
TOTAL LIABILITIES	12,014	-	12,014

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

16. 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, 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 approved by the Credit Committee of the Fund Manager based on the recommendation of Risk Management Division of SFC which conducts an independent assessment. These limits reflect the business strategy, credit worthiness of the counterparty 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 single or group of counterparties 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 portfolio based on the counter party limits approved by the Credit Committee on the recommendation of Risk Management Division.

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.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

16. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

	<i>31 December</i> 2021 <i>USD</i>	<i>31 December</i> 2020 <i>USD</i>
Cash and cash equivalents	115,642	1,470,323
Investment measured at amortised cost	27,774,964	21,233,421
Prepayments and other assets	61	380
	27,890,667	22,704,124

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.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Fund is subject to interest rate risk on its interest bearing assets including investments held at amortised costs and investments held at FVTPL. The Fund does not account for any fixed rate interest bearing financial assets at fair value and therefore, a change in interest rates at the reporting date would not have any effect on the financial statements.

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 assets of the Fund i.e. cash, investments held at amortised cost and other receivables are denominated in United States Dollar. However, investment measured at fair value through profit and loss and some financial liabilities are denominated in Saudi Arabian Riyals. Since Saudi Arabian Riyals has been pegged to United States Dollars, the Fund is not exposed to material currency risk for its financial assets and liabilities.

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 (money market instruments and investment in mutual funds) are considered to be realizable as the said securities can be redeemed as and when required (by early termination and/or pre-maturity). 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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17. RECLASSIFICATION

Certain prior year figures have been reclassified to conform to the current year presentation, without any effect on the income of the year.

18. LAST VALUATION DAY

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

19. APPROVAL OF THE FINANCIAL STATEMENTS

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