

AL-BADR MURABAHA FUND – US DOLLARS
(Managed by Saudi Fransi Capital Company)

FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

AL-BADR MURABAHA FUND – US DOLLARS
(Managed By Saudi Fransi Capital Company)

FINANCIAL STATEMENTS

For the year ended 31 December 2023

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Independent auditor's report to the Unitholders and Fund Manager of Al-Badr Murabaha Fund - US Dollars

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al-Badr Murabaha Fund - US Dollars (the "Fund") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity attributable to the Unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund and Fund Manager in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Other information

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's Annual Report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent auditor's report to the Unitholders and Fund Manager of Al-Badr Murabaha Fund-US Dollars (continued)

Responsibilities of Fund Manager and those charged with governance for the financial statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as Fund Manager 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, Fund Manager 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 Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the 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 Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager'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.



Independent auditor's report to the Unitholders and Fund Manager of Al-Badr Murabaha Fund-US Dollars (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be "Bader I. Benmohareb", written over a horizontal line.

Bader I. Benmohareb
License Number 471

March 31, 2023

AL-BADR MURABAHA FUND – US DOLLARS
(Managed By Saudi Fransi Capital Company)

STATEMENT OF FINANCIAL POSITION

		<i>As at 31 December 2023 USD</i>	<i>As at 31 December 2022 USD</i>
	<i>Note</i>		
<u>ASSETS</u>			
Cash and cash equivalents	7	965,060	706,555
Investments measured at fair value through profit or loss (FVTPL)	8.1	7,375,050	-
Investments measured at amortised cost	8.2	36,370,467	20,500,742
Other assets		175,659	175,659
TOTAL ASSETS		44,886,236	21,382,956
<u>LIABILITIES</u>			
Payable against units redeemed		-	23,475
Management fee payable	10	9,469	4,788
Accruals and other liabilities		9,941	9,155
TOTAL LIABILITIES		19,410	37,418
Equity attributable to the Unitholders		44,866,826	21,345,538
Units in issue		25,456,118	12,682,747
Equity per unit in USD		1.7625	1.6830

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

AL-BADR MURABAHA FUND – US DOLLARS
(Managed By Saudi Fransi Capital Company)

STATEMENT OF COMPREHENSIVE INCOME

		<i>For the year Ended 31 December 2023 USD</i>	<i>For the year Ended 31 December 2022 USD</i>
	<i>Note</i>		
<u>INCOME</u>			
Special commission income	9	1,253,042	608,190
Net gain on investments measured at FVTPL		94,138	80,824
Other income		2,533	11,858
		1,349,713	700,872
<u>EXPENSES</u>			
Management fees	10	(76,372)	(94,285)
Other expenses	11	(29,601)	(61,031)
		(105,973)	(155,316)
NET INCOME FOR THE YEAR		1,243,740	545,556
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,243,740	545,556

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

AL-BADR MURABAHA FUND – US DOLLARS
(Managed By Saudi Fransi Capital Company)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

	<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE YEAR	21,345,538	33,967,712
CHANGES FROM OPERATIONS		
Total comprehensive income for the year	1,243,740	545,556
CHANGES FROM UNIT TRANSACTIONS		
Value of units issued	30,092,289	13,465,063
Value of units redeemed	(7,814,741)	(26,632,793)
Net change from unit transactions	22,277,548	(13,167,730)
EQUITY ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE YEAR	44,866,826	21,345,538

UNIT TRANSACTIONS

Transactions in units during the years are summarised as follows:

	<i>For the year ended 31 December 2023 Units</i>	<i>For the year ended 31 December 2022 Units</i>
UNITS AT THE BEGINNING OF THE YEAR	12,682,747	20,531,533
Units issued	17,287,609	8,104,446
Units redeemed	(4,514,238)	(15,953,232)
Net change in units	12,773,371	(7,848,786)
UNITS AT THE END OF THE YEAR	25,456,118	12,682,747

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

AL-BADR MURABAHA FUND – US DOLLARS
(Managed By Saudi Fransi Capital Company)

STATEMENT OF CASH FLOWS

	<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income for the year	1,243,740	545,556
<i>Adjustment to reconcile net income to net cash (used in) / generated from operating activities</i>		
Unrealised gain on investments measured at FVTPL	(94,138)	-
	<u>1,149,602</u>	<u>545,556</u>
Changes in operating assets and liabilities:		
Investments measured at FVTPL	(7,280,912)	6,141,504
Investments measured at amortised cost	(15,869,725)	7,274,222
Other assets	-	(175,598)
Management fee payable	4,681	(3,811)
Accruals and other liabilities	786	2,927
Net cash (used in) / generated from operating activities	<u>(21,995,568)</u>	<u>13,784,800</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from units issued	30,092,289	13,465,063
Payment against units redeemed, net	(7,838,216)	(26,658,950)
Net cash generated from / (used in) financing activities	<u>22,254,073</u>	<u>(13,193,887)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	258,505	590,913
Cash and cash equivalents at the beginning of the year	706,555	115,642
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u><u>965,060</u></u>	<u><u>706,555</u></u>

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

1. GENERAL

Al-Badr Murabaha Fund - US Dollars (the “Fund”) is an open-ended Shariah compliant investment fund established based on an agreement between Saudi Fransi Capital Company (the “Fund Manager”) and investors (the “Unitholders”). The Fund commenced its operations on 14 Rabi’ Al Thani 1418H (corresponding to 18 August 1997).

The Fund aimed at achieving returns by investing in financial instruments that are subject to the provisions of Islamic Shariah while preserving capital and providing liquidity.

During the year, the Fund updated its terms and conditions on 15 Rabi’ II 1445H (corresponding to 30 October 2023) which have been approved by the Capital Market Authority “CMA”.

The Fund Manager and the Administrator of the Fund is Saudi Fransi Capital Company. 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).

3. BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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

These 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 (FVTPL) that are measured at fair value.

3.3 FUNCTIONAL CURRENCY

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

3.4 SUBSCRIPTION/REDEMPTION

Subscription / redemption requests are accepted on every working day. The value of the Fund’s portfolio is determined daily. The equity value of the Fund for the purpose of purchase or sale of units is determined by dividing the total equity of the Fund by the total number of outstanding Fund units.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES

The material accounting and risk management policies used in the preparation of these financial statements are stated below. These have been consistently applied to all years presented unless otherwise stated.

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. For financial assets and financial liabilities at FVTPL, the transaction costs are expensed in the statement of comprehensive income.

Classification

The Fund classifies its financial assets under the following categories:

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

These classifications are on the basis of the 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. Any income generated from these financial assets is recognized using effective interest method.

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.

The gain or loss on disposal of investments classified as FVTPL is included in the statement of comprehensive income and is calculated as the difference between the sales proceeds and the carrying value before disposal.

Currently, cash and cash equivalents, investments in money market placements and Sukuk, other assets, payable against units redeemed, management fee payable and accrual and other liabilities are carried at amortised cost. Investment in mutual funds is classified as FVTPL.

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 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.

4. MATERIAL ACCOUNTING POLICIES (continued)

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.

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 lifetime 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 Unitholder’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 Units having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the 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 Unitholders.

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

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have 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 Unitholders. 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.

4. MATERIAL 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 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 Banque Saudi Fransi ("the Bank") and the Custodian.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL ACCOUNTING POLICIES (continued)

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 up to 0.25% 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 and income tax at the Fund level is the obligation of the Unitholders and is not provided for in these financial statements.

Equity value per unit

Equity value per unit as disclosed in the statement of financial position is calculated by dividing the equity 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.

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.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the financial statements requires the Fund Manager 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.

Judgments

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 Fund Manager is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Classification of units as equity vs liability (Refer to Note 4 for accounting policy and measurement basis)

Estimates

Fair value measurement (Refer to Note 4 for accounting policy and measurement basis)

Impairment of financial assets (Refer to Note 4 for accounting policy and measurement basis)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New standards, interpretations and amendments adopted by the Fund

The following new and revised International Financial Reporting Standards have been adopted, which became effective for annual periods beginning on or after 1 January 2023. The adoption of these new revised International Financial Reporting Standards has not had any material effect on the reported amounts for current and prior years.

Standard, interpretation, amendments	Description	Effective date
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	<p>The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ (being information that, when considered together with other information included in an entity’s financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.</p> <p>To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</p>	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
IFRS 17, ‘Insurance contracts’	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction – These amendments requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendments to IAS 12	International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

New standards, interpretations and amendments not yet effective and not early adopted

The listing of standards and interpretations issued which the Fund reasonably expects to be applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective. These amendments and standards are not expected to have any impact on the financial statements of the Fund.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	1 January 2025

7. CASH AND CASH EQUIVALENTS

	<i>As at 31 December 2023 USD</i>	<i>As at 31 December 2022 USD</i>
Bank balances (see below)	443,327	685,752
Cash with custodian	521,733	20,803
	965,060	706,555

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

The Fund Manager has conducted a review as required under IFRS 9 and based on such an assessment, the effect of expected credit loss ('ECL') allowance against the carrying value of cash and cash equivalents is insignificant as the balances are held with investment grade credit rated financial institutions and therefore no ECL has been recognised in these financial statements.

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For the year ended 31 December 2023

8. INVESTMENTS

8.1 INVESTMENTS MEASURED AT FVTPL

	<i>As at 31 December 2023</i>	<i>As at 31 December 2023</i>	<i>As at 31 December 2022</i>	<i>As at 31 December 2022</i>
	<i>SR Cost</i>	<i>SR Market Value</i>	<i>SR Cost</i>	<i>SR Market Value</i>
Investment in mutual funds	7,280,912	7,375,050	-	-

The effect on the equity as a result of the change in the fair value of investments as at 31 December 2023 and 31 December 2022, with all other variables held constants is as follows:

	<i>As at 31 December 2023</i>		<i>As at 31 December 2022</i>	
	Potential reasonable change %	Effect on Equity	Potential reasonable change %	Effect on Equity
Investment in mutual funds	±1%	73,751	±1%	-

8.2 INVESTMENTS MEASURED AT AMORTISED COST

Investments measured at amortised costs are comprised of the following:

	<i>As at 31 December 2023</i>	<i>As at 31 December 2022</i>
	<i>USD</i>	<i>USD</i>
Money market placements (see note “a” below)	32,944,218	18,689,412
Investment in Sukuk (see note “b” below)	3,426,249	1,811,330
	36,370,467	20,500,742

a) Money market placements are composed of the following:

As at 31 December 2023

<i>Remaining maturity</i>	<i>% of Value</i>	<i>Cost USD</i>
Up to 1 month	18.59	6,124,074
1-3 months	10.51	3,460,829
3-6 months	70.90	23,359,315
	100.00	32,944,218

As at 31 December 2022

<i>Remaining maturity</i>	<i>% of Value</i>	<i>Cost USD</i>
Up to 1 month	46.50	8,691,257
1-3 months	49.75	9,297,968
3-6 months	3.75	700,187
	100.00	18,689,412

These placements carry profits ranging from 5.6% to 6.8% (2022: 2.8% to 4.8%).

b) The carrying value of Sukuk is as follows

	<i>As at 31 December 2023</i>			<i>As at 31 December 2022</i>		
	<i>USD</i>			<i>USD</i>		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Fixed rate	790,971	2,351,888	3,142,859	510,441	-	510,441
Floating rate	283,390	-	283,390	-	1,300,889	1,300,889
Total	1,074,361	2,351,888	3,426,249	510,441	1,300,889	1,811,330

These sukuk carry profit ranging from 3.5% to 8.35% (2022: 3.94% to 7.13%). The fair value of the above investments in sukuk as at 31 December 2023 is USD 3.38 million (2022: USD 1.77 million).

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

	<i>As at 31 December 2023 USD</i>	<i>As at 31 December 2022 USD</i>
3-5 years	3,426,249	1,811,330
	3,426,249	1,811,330

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

9. SPECIAL COMMISSION INCOME

	<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
Income from money market placements	1,097,658	584,389
Income from investment in Sukuk	155,384	23,801
	1,253,042	608,190

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 Company (“the Fund Manager”), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Fund Board, affiliates of the Fund Manager and the Funds managed by the Fund Manager.

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

The Fund pays Fund Manager a management fee calculated at an annual rate of up to 0.25% 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.

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

	<i>Nature of transactions</i>	<i>Amount of transactions (expense) / income</i>		<i>Balance Receivables / (Payables)</i>	
		<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>	<i>As at 31 December 2023 USD</i>	<i>As at 31 December 2022 USD</i>
Saudi Fransi Capital Company	Management fees	(76,372)	(94,285)	(9,469)	(4,788)
Board of Directors	Annual remuneration	(449)	(624)	-	-
Banque Saudi Fransi	Bank balances	-	-	443,327	685,752

The units in issue as at 31 December 2023 include 5,686.8102 units held by the employees of Banque Saudi Fransi and Saudi Fransi Capital Company (31 December 2022: 11,527 units).

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For the year ended 31 December 2023

11. OTHER EXPENSES

		<i>For the year ended 31 December 2023 USD</i>	<i>For the year ended 31 December 2022 USD</i>
	<i>Note</i>		
Audit fee		9,240	9,240
Custody fee		5,313	7,543
CMA fee		2,011	2,088
Tadawul registration fee		2,008	1,689
Directors' fees	10	449	624
Other		10,580	39,847
		29,601	61,031

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Fund's financial assets consist of bank balance, investments measured at amortized 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. The fair value of investments measured at FVTPL is based on quoted prices in active markets and are therefore classified within Level 1.

	<i>Carrying value USD</i>	<i>Fair values</i>			<i>Total USD</i>
		<i>Level 1 USD</i>	<i>Level 2 USD</i>	<i>Level 3 USD</i>	
<i>As at 31 December 2023</i>					
Investments measured at FVTPL	7,375,050	7,375,050	-	-	7,375,050
<i>As at 31 December 2022</i>					
Investments measured at FVTPL	-	-	-	-	-

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 except for the sukuk held at amortised cost for which the fair value is disclosed in note 8 to these financial statements. 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 2023, 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.

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For the year ended 31 December 2023

13. MATURITY OF ASSETS AND LIABILITIES

The table presented below provides an analysis of assets and liabilities, categorized by their expected timelines for recovery or settlement. Additionally, the maturity dates listed correspond with the contractual maturities of these assets and liabilities.

<i>As at 31 December 2023</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	965,060	-	965,060
Investments measured at fair value through profit or loss (FVTPL)	7,375,050	-	7,375,050
Investments measured at amortised cost	32,944,218	3,426,249	36,370,467
Other assets	175,659	-	175,659
TOTAL ASSETS	34,084,937	3,426,249	44,886,236
LIABILITIES			
Management fee payable	9,469	-	9,469
Accruals and other liabilities	9,941	-	9,941
TOTAL LIABILITIES	19,410	-	19,410
<i>As at 31 December 2022</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>Total USD</i>
ASSETS			
Cash and cash equivalents	706,555	-	706,555
Investments measured at amortised cost	18,689,412	1,811,330	20,500,742
Other assets	175,659	-	175,659
TOTAL ASSETS	19,571,626	1,811,330	21,382,956
LIABILITIES			
Payable against units redeemed	23,475	-	23,475
Management fee payable	4,788	-	4,788
Accruals and other liabilities	9,155	-	9,155
TOTAL LIABILITIES	37,418	-	37,418

14. FINANCIAL AND RISK MANAGEMENT POLICIES AND OBJECTIVES

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 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 the Fund Manager 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.

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. Concentration of risk arises 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 concentration 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. All of these financial assets are classified at stage 1.

	<i>As at 31 December 2023 USD</i>	<i>As at 31 December 2022 USD</i>
Cash and cash equivalents	965,060	706,555
Investments measured at fair value through profit or loss (FVTPL)	7,375,050	-
Investments measured at amortised cost	36,370,467	20,500,742
Other assets	175,659	175,659
	44,886,236	21,382,956

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.

(i) Price risk

Price risk is the risk that the value of financial instruments will fluctuate because of changes in market prices. Note 8 to the financial statements analyses the impact on profit or loss due to 1% change in prices of its investment portfolio.

(ii) Interest rate risk

Interest rate risk is the risk that the value of the future cashflows of a financial instrument or fair value of fixed coupon 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 cost. 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. The Fund is exposed to cashflow interest rate risk on the floating rate investments held at amortised cost. A hundred basis points change in interest rate keeping all other factors constant will increase/decrease the special commission income by USD 1,201 (2022: USD 2,393).

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to changes in foreign exchange rates. The financial assets of the Fund i.e. cash, investments held at amortised cost, investments held at FVTPL 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 generating funds to meet commitments associated with financial liabilities that are settled by delivering cash or another financial asset.

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. The Fund's securities (money market instruments and investment in Sukuk) 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 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 for the purpose of the preparation of the financial statements was 31 December 2023 (31 December 2022: 31 December 2022).

16. INFORMATIVE ZAKAT RETURN SUBMISSION

Article 3 of Zakat Collection Rules for Investing in Investment Funds, stipulates that all investment funds or real estate investment funds approved to be established by the CMA after the effective date of the resolution (1 January 2023), must register with ZATCA for Zakat purposes before the end of the first fiscal year from the date of the approval on their establishment and submit an informative zakat return within 120 days of fiscal year end. The Fund received its registration certificate no. 3119560631 from ZATCA on 29 Jumada Al-Awwal 1445H (corresponding to 13 December 2023). The Fund will submit the informative zakat return in due course.

The responsibility of paying zakat on investment in the Fund's units remains with the unitholders and the Fund does not have the zakat obligation to the extent that the unitholders are considered Zakat payers as per the provisions of the Zakat by-laws.

17. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Fund Board on 23 March 2024 (corresponding to 13 Ramadhan 1445H).