

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND

(Managed by Saudi Fransi Capital Company)

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

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(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 Saudi Fransi Capital Saudi Equity Income Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Fransi Capital Saudi Equity Income Fund (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 net assets 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.

PricewaterhouseCoopers, License No. 25,
Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
T: +966 (11) 211-0400, F: +966 (11) 211-0401, www.pwc.com/middle-east



Independent auditor's report to the Unitholders and Fund Manager of Saudi Fransi Capital Saudi Equity Income Fund (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.



Independent auditor's report to the Unitholders and Fund Manager of Saudi Fransi Capital Saudi Equity Income Fund (continued)

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

- 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.
- 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.

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A blue ink signature, appearing to be 'Bader I. Benmohareb', written over a circular stamp.

Bader I. Benmohareb
License Number 471

March 31, 2024

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(Managed By Saudi Fransi Capital Company)

STATEMENT OF FINANCIAL POSITION

		<i>As at 31 December 2023</i>	<i>As at 31 December 2022</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
<u>ASSETS</u>			
Cash and cash equivalents	7	875,242	1,151,897
Investments measured at fair value through profit or loss (FVTPL)	8	25,644,901	19,971,326
Due from a related party	10	-	466,967
Other assets		49,519	-
TOTAL ASSETS		26,569,662	21,590,190
<u>LIABILITIES</u>			
Management fee payable	10	43,791	32,981
Accruals and other liabilities		39,925	41,871
Due to a related party	10	-	555,956
TOTAL LIABILITIES		83,716	630,808
 Net assets attributable to the Unitholders		 26,485,946	 20,959,382
 Units in issue		 2,530,995	 2,303,567
 Net assets per unit in Saudi Riyals		 10.4646	 9.0987

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

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(Managed By Saudi Fransi Capital Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
<u>INCOME / (LOSS)</u>			
Net gain/ (loss) on investments measured at FVTPL	9	4,206,144	(1,453,706)
Dividend income		1,033,591	826,505
Other income		13	257
		5,239,748	(626,944)
<u>EXPENSES</u>			
Management fees	10	(495,565)	(511,151)
Other expenses	11	(162,075)	(176,289)
		(657,640)	(687,440)
NET INCOME / (LOSS) FOR THE YEAR		4,582,108	(1,314,384)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		4,582,108	(1,314,384)
Distribution to redeemable Unitholders		(1,192,711)	(1,421,244)
INCREASE / (DECREASE) IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS DURING THE YEAR		3,389,397	(2,735,628)

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

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND

(Managed by Saudi Fransi Capital Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2023

	<i>For the year ended 31 December 2023 SR</i>	<i>For the year ended 31 December 2022 SR</i>
NET ASSETS AT THE BEGINNING OF THE YEAR	20,959,382	29,830,124
CHANGES FROM OPERATIONS		
Increase / (decrease) in net assets attributable to the Unitholders during the year	3,389,397	(2,735,628)
CHANGES FROM UNIT TRANSACTIONS		
Value of units issued	5,057,717	536,818
Value of units redeemed	(2,920,550)	(6,671,932)
Net change from unit transactions	2,137,167	(6,135,114)
NET ASSETS AT THE END OF THE YEAR	26,485,946	20,959,382

UNIT TRANSACTIONS

Transactions in units 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	2,303,567	2,869,449
Units issued	522,006	48,511
Units redeemed	(294,578)	(614,393)
Net change in units	227,428	(565,882)
UNITS AT THE END OF THE YEAR	2,530,995	2,303,567

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

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(Managed By Saudi Fransi Capital Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net income / (loss) for the year		4,582,108	(1,314,384)
<i>Adjustments to reconcile net income / (loss) to net cash (used in) / generated from operating activities:</i>			
Unrealised (gain) / loss on investments measured at FVTPL	9	(4,458,054)	5,903,884
		124,054	4,589,500
Changes in operating assets and liabilities:			
Investments measured at FVTPL		(1,215,521)	3,161,786
Due from a related party		466,967	(466,967)
Other assets		(49,519)	375,101
Management fee payable		10,810	(17,673)
Accruals and other liabilities		(1,946)	15,321
Due to a related party		(555,956)	(454,017)
Net cash (used in) / generated from operating activities		(1,221,111)	7,203,051
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from units sold		5,057,717	536,818
Payments against units redeemed, net of redemption payable		(2,920,550)	(6,671,932)
Dividend distribution		(1,192,711)	(1,421,244)
Net cash generated from / (used in) financing activities		944,456	(7,556,358)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(276,655)	(353,307)
Cash and cash equivalents at the beginning of the year		1,151,897	1,505,204
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		875,242	1,151,897

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

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(Managed By Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

Saudi Fransi Saudi Equity Income Fund (the “Fund”) is an open-ended Shariah compliant investment fund based on an agreement between Saudi Fransi Capital Company (the ‘Fund Manager’) and investors (the ‘Unitholders’). The Fund commenced its operations on 20 Rabi Thani 1435H (corresponding to 20 February 2014).

The objective of the Fund is to provide medium to long-term growth by investing in listed companies in the Saudi Stock Exchange (Tadawul) that comply with Shariah Standards.

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 Administrator of the Fund is Saudi Fransi Capital Company. The Custodian of the Fund is HSBC Saudi Arabia.

The Fund also aims to make cash distributions to its Unitholders considering following two options as per the terms and conditions, whichever is higher.

- 2.5% of the Fund's net asset value per unit, regardless of the Fund's performance during the period; or
- If the unit price has achieved its highest point since its inception, 50% of the difference between the unit price over its equivalent on the previous distribution day.

The Fund Manager will distribute the cash at the end of each six-month period. The amount shall be calculated as of the end of the last dealing day of each six-month period. The proceeds of the cash distribution shall be paid within four business days.

2. REGULATORY AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the Capital Market Authority (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 that are issued by 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) which are carried at fair value.

3.3 FUNCTIONAL CURRENCY

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

3.4 SUBSCRIPTION/REDEMPTION

Subscription / redemption requests are accepted on Monday, Wednesday, and Thursday on which Tadawul is open. 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 on the following day.

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 measured at fair value through profit or loss.

Currently investment in equities is classified as FVTPL while cash and cash equivalents, other assets, management fee payable, accrued and other liabilities, due to a broker, payable against units redeemed and due from / to a related party are classified as held at amortised cost financial assets / financial liabilities.

The gain/ loss on disposal of investments classified at 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.

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 statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Unitholder to a pro rata share of the entity'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 entity'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 entity 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 continuously assesses the classification of the redeemable units. The Fund's redeemable units do not meet the definition of puttable instruments classified as equity instruments under IFRS and accordingly are not classified as equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance, or cancellation of the Fund's own liability instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 accessible advantageous market for the asset or liability

The principal or the most advantageous report must be accessible to the fund.

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

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

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

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

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

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

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

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

Trade date accounting

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

Cash and cash equivalents

Cash and cash equivalent include accounts maintained with Banque Saudi Fransi ("the Bank") and the Custodian.

SAUDI FRANSI CAPITAL SAUDI EQUITY INCOME FUND
(Managed By Saudi Fransi Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. MATERIAL 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 need to be recognized at amortized cost.

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

Management fees

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

Expenses

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

Zakat and income tax

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

Net asset value per unit

Net assets value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at year end.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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)

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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 SR</i>	<i>As at 31 December 2022 SR</i>
Cash at bank (see note below)	12,678	21,533
Cash with the custodian	862,564	1,130,364
	875,242	1,151,897

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

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

The composition of investments measured at fair value through profit or loss (FVTPL) is summarized below:

<u>Saudi Equity Sectors</u>	<i>As at 31 December 2023</i>		
	<i>Cost SR</i>	<i>Market Value SR</i>	<i>% of Market Value</i>
Materials	11,732,703	11,192,461	43.64
Retailing	2,549,907	2,665,236	10.39
Telecommunication services	2,275,433	2,851,734	11.12
Real estate management and development	1,233,871	1,448,141	5.65
Transportation	1,133,319	1,708,928	6.66
Banks	1,022,244	1,236,336	4.82
Energy	926,924	1,647,864	6.43
Cements	880,574	904,077	3.53
Consumer services	711,925	862,407	3.36
Food and staples retailing	549,772	638,246	2.49
Media	361,076	489,471	1.91
	23,377,748	25,644,901	100

<u>Saudi Equity Sectors</u>	<i>As at 31 December 2022</i>		
	<i>Cost SR</i>	<i>Market Value SR</i>	<i>% of Market Value</i>
Materials	10,539,221	8,894,764	44.54
Telecommunication services	2,332,130	2,371,519	11.87
Retailing	2,869,234	2,317,424	11.60
Real estate management and development	1,543,138	1,623,435	8.13
Energy	1,057,823	1,010,990	5.06
Banks	682,808	881,972	4.42
Cements	806,678	766,539	3.84
Health care equipment and services	980,074	720,747	3.61
Food and staples retailing	744,180	680,680	3.41
Transportation	506,579	618,649	3.10
Capital goods	100,362	84,607	0.42
	22,162,227	19,971,326	100.00

The effect on the net assets as a result of the change in the fair value of investments as at 31 December 2023 and 31 December 2022 due to a reasonably possible change in equity indices based on the industry concentration, 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 Net Assets	Potential reasonable change %	Effect on Net Assets
Materials	±1%	111,925	±1%	88,948
Retailing	±1%	26,652	±1%	23,174
Telecommunication services	±1%	28,517	±1%	23,715
Real estate management and development	±1%	14,481	±1%	16,234
Transportation	±1%	17,089	±1%	6,186
Banks	±1%	12,363	±1%	8,820
Energy	±1%	16,479	±1%	10,110
Cements	±1%	9,041	±1%	7,665
Consumer services	±1%	8,624	±1%	-
Food and staples retailing	±1%	6,382	±1%	6,807
Media	±1%	4,895	±1%	-
Health care equipment and services	±1%	-	±1%	7,207
Capital goods	±1%	-	±1%	846
		256,448		199,712

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9. NET GAIN / (LOSS) ON INVESTMENTS MEASURED AT FVTPL

	<i>For the year ended 31 December 2023</i> SR	<i>For the year ended 31 December 2022</i> SR
Realised (loss)/gains on the disposal of investments measured at FVTPL, net	(251,910)	4,450,178
Unrealised gain/(loss) on remeasurement of investments measured at FVTPL, net	4,458,054	(5,903,884)
Net gain / (loss) on investments measured at FVTPL	4,206,144	(1,453,706)

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 ("Fund Manager"), Banque Saudi Fransi (the Bank and the shareholder of the Fund Manager), the Fund Board Directors, 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 the Fund Manager a management fee calculated at an annual rate of 1.75% (2022: 1.75%) per annum 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 and balances are as follows:

Related party	Nature of transactions	<i>Amount of transactions (Expense) / income</i>		<i>Balance Receivable / (payable)</i>	
		<i>For the year ended 31 December</i>	<i>For the year ended 31 December</i>	<i>As at 31 December</i>	<i>As at 31 December</i>
		2023 SR	2022 SR	2023 SR	2022 SR
Saudi Fransi Capital Company	Management fee	(495,565)	(511,151)	(43,791)	(32,981)
	Brokerage fee	(33,930)	(43,388)	-	-
	Due from a related party	-	-	-	466,967
	Due to a related party	-	-	-	(555,956)
Board of Directors	Annual remuneration	(440)	(548)	-	-
Banque Saudi Fransi	Bank balance	-	-	12,678	21,533

The units in issue at 31 December 2023, include 52,563 units held by the employees of Banque Saudi Fransi and Saudi Fransi Capital (31 December 2022: 56,534 units).

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For the year ended 31 December 2023

11. OTHER EXPENSES

		<i>For the year ended 31 December 2023</i>	<i>For the year ended 31 December 2022</i>
	<i>Note</i>	<i>SR</i>	<i>SR</i>
Brokerage fees		33,930	43,388
Audit fees		34,650	34,650
Benchmark fees		30,133	27,451
Custody fees		19,647	17,779
CMA fees		7,480	7,829
Tadawul registration fee		7,470	6,349
Directors' fees	10	440	548
Others		28,325	38,295
		162,075	176,289

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Fund's financial assets consist of bank balance and investments measured at fair value through profit or loss (FVTPL). The Fund's financial liabilities consist of management fee payable and accruals and other liabilities.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value. The fair value of investments measured at FVTPL is based on quoted prices in an active market and are therefore classified as level 1.

	<i>Carrying value SR</i>	<i>Fair value</i>			
		<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
As at 31 December 2023					
Investments measured at FVTPL	25,644,901	25,644,901	-	-	25,644,901
As at 31 December 2022					
Investments measured at FVTPL	19,971,326	19,971,326	-	-	19,971,326

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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13. MATURITY ANALYSIS 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 SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	875,242	-	875,242
Investments measured at fair value through profit or loss (FVTPL)	25,644,901	-	25,644,901
Due from a related party	49,519	-	49,519
TOTAL ASSETS	26,569,662	-	26,569,662
LIABILITIES			
Management fee payable	43,791	-	43,791
Accruals and other liabilities	39,925	-	39,925
TOTAL LIABILITIES	83,716	-	83,716

<i>As at 31 December 2022</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
ASSETS			
Cash and cash equivalents	1,151,897	-	1,151,897
Investments measured at fair value through profit or loss (FVTPL)	19,971,326	-	19,971,326
Other assets	466,967	-	466,967
TOTAL ASSETS	21,590,190	-	21,590,190
LIABILITIES			
Management fee payable	32,981	-	32,981
Accruals and other liabilities	41,871	-	41,871
Due to a related party	555,956	-	555,956
TOTAL LIABILITIES	630,808	-	630,808

14. FINANCIAL AND RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

Risk management

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

Risk measurement and reporting system

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

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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 particular industry or geographical location. Concentrations 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 diversified portfolio based on the recommendations of Investment Committee.

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

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

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 SR</i>	<i>As at 31 December 2022 SR</i>
Cash and cash equivalents	875,242	1,151,897
Due from a related party	-	466,967
Other assets	49,519	-
	924,761	1,618,864

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.

(a) Equity Price Risk

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

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

Note 8 to the financial statements analyses the impact on profit or loss due to 1% change in prices of its equity portfolio.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

(b) 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 instruments of the Fund i.e. cash and cash equivalents, investments held at FVTPL, due to/ from a related party, other assets, management fee payable and accruals and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

(c) Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Fund's financial position and cash flows. The Fund is not exposed to any commission rate risk as it does not have any interest-bearing financial assets.

Liquidity risk

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

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units, and it is, therefore, exposed to the liquidity risk of meeting Unitholder redemptions. The Fund's securities are considered to be readily realizable as they are all listed on Tadawul. 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 a 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 for the purpose of preparation of these financial statements for the year ended 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. 3119629963 from ZATCA on 6 Jumada Al-Akhirah 1445H (corresponding to 19 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).