

Crowe Solutions For Professional Consulting
Member Crowe Global

Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)

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

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INDEPENDENT AUDITOR'S REPORT

TO: THE UNITHOLDERS OF
Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)

Opinion:

We have audited the financial statements of **Al-Khair Capital Sukuk Plus Fund Saudi** ("the fund") managed by Al-Khair Capital Saudi Arabia Company (the "Fund Manager"), which comprises the statement of financial position as at December 31, 2023, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed in the kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants – "SOCPA", ("IFRSs as endorsed in KSA").

Basis of Opinion:

We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Fund in accordance with Professional code of conduct and ethical requirements that are relevant to our audit of the financial statements in Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information contained in the Fund's annual report for the year 2023

Other information consists of information contained in the Fund's 2023 Annual Report, other than the financial statements and our report thereon.

The Fund's Board of Directors is responsible for the other information. It is expected that the Fund's 2023 Annual Report will be available to us after the date of this report.

Our opinion on the accompanying 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 referred to above when it becomes available to us, and in doing so we consider whether such information is materially inconsistent with the accompanying financial statements, or with information we obtain in the course of the audit or They otherwise appear to be substantially distorted.

When we read the annual report when it is available to us, and if we find any material misstatements in it, we are required to report this matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed in the kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants – "SOCPA", and the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, the Fund's terms and conditions and Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Board of Directors) are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Ramadan 20, 1445H (Corresponding March 30, 2024)
Riyadh, Saudi Arabia

Crowe Solutions
For Professional Consulting



Abdullah M. Al Azem
License No. 335

Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	31 December 2023 USD	31 December 2022 USD
<u>ASSETS</u>			
Cash and cash equivalents	7	99,813	38,184
Prepayment and other receivables		30,760	30,760
Financial assets at fair value through other comprehensive income	8	2,458,146	2,414,602
TOTAL ASSETS		2,588,719	2,483,546
<u>LIABILITIES</u>			
Management fees payable	9	4,970	4,754
Accrued expenses and other liabilities		9,451	15,864
TOTAL LIABILITIES		14,421	20,618
NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS		2,574,298	2,462,928
Number of units in issue		21,271	21,271
Net assets value attributable to each unit		121.0238	115,7881

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

Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	2023 USD	2022 USD
<u>INVESTMENT INCOME</u>			
Profit on sukuk		111,699	111,614
TOTAL INCOME		111,699	111,614
<u>EXPENSES</u>			
Management fees	9	(21,925)	(21,546)
Other expenses	10	(23,889)	(22,664)
TOTAL EXPENSES		(45,814)	(44,210)
NET INCOME FOR THE YEAR		65,885	67,404
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit or loss			
Unrealised (loss) on financial assets at fair value through other comprehensive income	8	45,485	(230,474)
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		111,370	(163,070)

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

Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2023

	2023 USD	2022 USD
NET ASSETS AT THE BEGINNING OF THE YEAR	2,462,928	2,625,998
CHANGES FROM OPERATIONS		
Net income for the year	65,885	67,404
Unrealised (loss) on financial assets at fair value through other comprehensive income	45,485	(230,474)
Net change from operations	111,370	(163,070)
CHANGES FROM UNIT TRANSACTIONS		
Proceeds from units sold	-	-
Value of units redeemed	-	-
Net change from unit transactions	-	-
NET ASSET AT THE END OF THE YEAR	2,574,298	2,462,928

UNIT TRANSACTIONS

Transactions in units for the year ended 31 December are summarised as follows:

	2023 Units	2022 Units
UNITS AT THE BEGINNING OF THE YEAR	21,271	21,271
Units sold	-	-
Units redeemed	-	-
Net changes in units	-	-
UNITS AT THE END OF THE YEAR	21,271	21,271

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

Al-Khair Capital Sukuk Plus Fund
(Managed by Al-Khair Capital Saudi Arabia Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	2023 USD	2022 USD
OPERATING ACTIVITIES		
Net income for the year	65,885	67,405
Changes in operating assets and liabilities:		
Financial assets at fair value through other comprehensive income, net	1,941	(53,468)
Prepayment and other receivable	-	85
Management fee payable	216	(704)
Accrued expenses and other liabilities	(6,413)	5,539
Net cash flow generated from operating activities	61,629	18,857
NET INCREASE IN CASH AND CASH EQUIVALENTS	61,629	18,857
Cash and cash equivalents at the beginning of the year	38,184	19,327
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	99,813	38,184

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

1. GENERAL

Al-Khair Capital Sukuk Plus Fund (the “Fund”) is an open ended investment fund established and managed by Al-Khair Capital Saudi Arabia Company (the “Fund Manager”) for the benefit of the Fund’s Unitholders (the “Unitholders”). The Fund commenced its operations on 3 Sha’ban 1435H (corresponding to 1 June 2014).

The address of the Fund Manager is as follows:

Al Khair Capital
P.O. Box. 69410
Riyadh 11547
Kingdom of Saudi Arabia

The objective of the Fund is to generate capital growth and income distribution returns over the medium to long term, by investing in a portfolio of Shariah compliant income producing investments and securities. The Fund will invest mainly in Sukuk issued by sovereign, quasi sovereign corporate issuers and in convertible Sukuk. The Fund will also invest in other credit instruments such as Islamic syndication facilities Murabaha, Shariah compliant deposits and Shariah compliant cash equivalents allowing a more balanced portfolio risk and return profile.

The Fund Manager is Al-Khair Capital Saudi Arabia Company and the Custodian of the Fund is Alinma Investment. The terms and conditions of the Fund has been approved by the Capital Market Authority (“CMA”) on 27 Shawal 1434H (corresponding to 03 September 2013) subsequently revised and approved on 08 Rajab 1439H (corresponding to 25 March 2018) and on 27 Ramadan 1440H (corresponding to 02 May 2019) and on 10 Ramdan 1442H (corresponding to 21 April 2022) and the last one was on Rabi Al Thani 07 1445H (corresponding to October 22, 2022).

2. REGULATING 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 effective from 6 Safar 1438H (corresponding 6 November 2016) by the New Investment Fund Regulations (“Amended Regulations”) published by the Capital Market Authority on 16 Shaaban 1437H (corresponding to 23 May 2016), in addition to the new amendment no.2-22-2021 issued on 30 Jumada Al-Akhirah, 1442H (Corresponding to February 24, 2022), detailing requirements for all funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

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

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 PREPERATION

These financial statements were prepared in accordance to the historical cost principle, with the exception of items measured by fair value, present value, realizable value, and replacement cost in light of the accrual basis and continuity basis of the Fund.

3.3 FUNCTIONAL CURRENCY

The financial statements are presented in United States Dollar (USD) which is the fund’s functional currency.

3.4 Use of judgments, estimates, and assumptions

The preparation of financial statements in accordance with the International Financial Reporting Standards requires the management to make judgments, estimates and assumptions that affect the application of the policies and amounts listed for assets, liabilities, income and expenses. Actual results may differ from these estimates.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of judgments, estimates, and assumptions (continued)

In particular, information about significant matters regarding the estimation of uncertainties in the application of accounting policies that have a significant impact on the amounts recognized in the financial statements are summarized as follows:

-The management estimates the recoverable amount of the financial assets to determine whether there has been any impairment in their value.

- Allocations depend, depending on their nature, on estimates and assessments to ensure whether evidence controls are met, including an estimate of the amounts likely to be paid. Provisions relating to unconfirmed liabilities include management's best estimates of whether outgoing cash flows are likely to occur.

The applied estimates and assumptions are reviewed constantly, and changes in accounting estimates are recognized in the period in which the estimates are changed and in the coming years that are affected by that change.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements for the year ended 31 December 2022 which are explained below:

Financial instruments

Initial recognition

The Fund records a financial asset or a financial liability in the 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount.

Classification

The Fund classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortized 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 a financial asset at amortized cost when it is within the business model to hold in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For assets measured at fair value, gains and losses will either be recorded in either profit or loss or other comprehensive income. For investments in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Fund classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method except for financial liabilities that are measured at fair value through profit or loss. The Fund designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition of financial instruments (continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognize the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 amortized cost, the ECL is based on a 12-month ECL and life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

Redeemable Units

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the Unit Holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the Unit Holder's rights to a pro rata share of the Fund's net assets
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

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

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalent include cash at banks.

Returns on Sukuk instruments

Returns on sukuk instruments are recognized in the statement of comprehensive income by calculating interest on a daily basis and recording it on a monthly basis according to the effective interest.

Financial assets designated as FVOCI

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in profit or loss statement and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in the statement of comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss.

Provisions

Provisions are recognized when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the 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 the passage of time is recognized as finance costs.

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

Accrued expenses

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

Management fees

Fund management fees are recognized on an accruals basis and charged to the statement of comprehensive income.

Fund management fees are charged at agreed rates with the Fund Manager and as stated in the Terms and Conditions of the Fund.

Expenses

Expenses are measured and recognized as expenses on an accrual's basis in the accounting period in which they are incurred.

Zakat

According to the rules for collecting zakat from investors in investment funds, investment funds are not obligated to pay zakat, and only an information declaration is submitted to calculate the fund's zakat base, and therefore no provision is made for such obligations in these financial statements.

Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyal at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date, resulting exchange gains and losses are taken to the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net assets value

The 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 outstanding at the year end.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS as endorsed in the KSA requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Significant areas where management has used estimates, assumptions or exercised judgement are as follows:

Going concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value Measurement

The Fund measures its investments in financial instruments, such as equity instruments, debentures, other commission bearing investments and derivatives, at fair value at each reporting date. 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 principal or the most advantageous market 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each reporting date. Fair values of those financial instruments are disclosed in note 12.

6. NEW STANDARDS, AMEDMENTS TO STANDARDS AND INTERPRETATIONS

The following is a statement of the new standards and amendments to the applicable standards for the years beginning on or after January 1, 2023 AD, with early application permitted, but the Fund did not apply them when preparing these financial statements. The Board of Directors of the Fund is of the opinion that these standards and amendments to the standards and interpretations are not expected to affect the Fund.

Standards	Explanation
Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current	These amendments clarify how the conditions that the Fund must comply with during the twelve months after the reporting period affect the classification of liabilities. These amendments also aim to improve the information provided by the Fund regarding the liabilities subject to these conditions.
Amendments to IFRS 16 - Lease Obligations on a Sale and Leaseback Basis	These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how the Fund accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on the index or price that is highly likely to be affected.
Amendments to IAS 7 and IFRS 7 - Supplier financing arrangements	These amendments require disclosures to enhance the transparency of a supplier's financing arrangements, their effects on the Fund's liabilities and cash flows, and its exposure to liquidity risk. The disclosure requirements are the IASB's response to investor concerns that some fund supplier financing arrangements are not sufficiently visible, hampering investor analysis.
IFRS (Sustainability 1) "General requirements for disclosure of financial information related to sustainability"	This standard includes the basic framework for disclosing material information about material risks and opportunities related to sustainability across an organization's value chain.
IFRS (Sustainability 2) "Climate-related disclosures"	This is the first objective standard issued that sets requirements for entities to disclose information about climate-related risks and opportunities.
Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current	These amendments clarify how the conditions that the Fund must comply with during the twelve months after the reporting period affect the classification of liabilities. These amendments also aim to improve the information provided by the Fund regarding the liabilities subject to these conditions.

7. Cash and cash equivalents

	31 December 2023 USD	31 December 2022 USD
Cash in banks	99,778	38,149
Cash with the custodian	35	35
	<u>99,813</u>	<u>38,184</u>

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income consist of sukuk and investment securities and are measured at fair value. The fair value of sukuks is determined based on the closing prices traded in Bloomberg, while the fair value of investments in securities is measured based on the closing prices in the stock market (Tadawul) or the net asset valuation at the end of the financial period, in the case of investment at fund units.

Details of financial assets at fair value through other comprehensive income at the end of the year were as follows:

31 December 2023		Cost USD	Market value USD	Unrealised losses USD
Investment at sukuk		2,370,790	2,232,935	(137,855)
Investment at securities		208,131	225,211	17,080
		<u>2,578,921</u>	<u>2,458,146</u>	<u>(120,775)</u>
31 December 2022		Cost USD	Market value USD	Unrealised losses USD
Investment at sukuk		2,372,190	2,198,839	(173,352)
Investment at securities		208,671	215,763	7,092
		<u>2,580,861</u>	<u>2,414,602</u>	<u>(166,260)</u>

The sukuks carry a fixed profit rate between 2.25% to 9.88% per annum (31 December 2022: 2.76% to 6.88 % per annum) and have maturity periods of five to ten years.

	2023 USD	2022 USD
Unrealized gain /(loss) for the year	<u>45,485</u>	<u>(230,474)</u>

9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include the Unitholders, the Fund Manager, the Shareholders of the Fund Manager (Al- Khair Capital), the Fund's Board members and other funds managed by the Fund Manager.

The fund manager calculates management fees at an annual rate of 0.75% of the fund's net asset value. This is accrued on each trade date and paid on a monthly basis.

According to the terms and conditions, the Fund Manager shall recover from the Fund any other expenses incurred on behalf of the Fund such as audit fees, regulatory and legal services, brokerage services, consulting and other similar fees. The fund charged an early redemption commission of 1% on redemption during the first year of subscription, 0.75% for the second year, and 0.5% for the third year to prevent early redemption.

In the ordinary course of its activities, the Fund transacts business with its related parties. All the related party transactions are carried out based on mutually agreed prices under formal agreement, which is approved by the Fund Board.

Related party transactions for the year are as follows:

Related party	Nature of transaction	Transaction amount		Balance Debit (Credit)	
		31 December 2023 USD	31 December 2022 USD	31 December 2023 USD	31 December 2022 USD
The Fund Manager	Management fees	(21,925)	(21,546)	(4,970)	(4,754)
The Fund's Board members	Board members' fee	(2,667)	(2,667)	(2,660)	(2,667)

The units issued as of December 31, 2023 include 7,567 units (December 31, 2022: 7,567 units), held by Al-Khair Capital Saudi Arabia ("the Fund Manager"), representing 35.57% (December 31, 2022: 35.57%) in the Fund.

10. OTHER EXPENSES

	2023 USD	2022 USD
Professional fee	9,813	9,813
Custodian fees	4,000	4,000
Board member fees (Note 9)	2,667	2,667
Tadawul fees	2,000	2,000
Regulator fees	1,333	1,333
Others	4,076	2,851
	<u>23,889</u>	<u>22,664</u>

11- ZAKAT BASE

According to the rules for collecting zakat from investors in investment funds, investment funds are not obligated to pay zakat, and only an information declaration is provided for calculating the fund's zakat base. This was implemented at the beginning of 2023, and therefore no comparative figures are presented. The zakat base is presented as follows:

	31 December 2023 SR
NET INCOME FOR THE YEAR	<u>65,885</u>
ADJUSTED INCOME FOR THE YEAR	<u>65,885</u>
Addition:	
NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS	<u>2,462,928</u>
Zakat Base	<u>2,528,813</u>
Estimated Zakat	<u>-</u>

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 principal or the most advantageous market must be accessible by 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The fair values of financial instruments are not significantly different from the carrying values included in the interim condensed financial statements due to the short duration of such financial instruments.

All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy, 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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. 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. 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.

USD	Carrying value	Level 1	Level 2	Level 3	Total
31 December 2023					
<u>Financial assets measured at fair value</u>					
Financial assets at fair value through other comprehensive income	2,458,146	2,458,146	-	-	2,458,146
Total	2,458,146	2,458,146	-	-	2,458,146

USD	Carrying value	Level 1	Level 2	Level 3	Total
31 December 2022					
<u>Financial assets measured at fair value</u>					
Financial assets at fair value through other comprehensive income	2,414,602	2,414,602	-	-	2,414,602
Total	2,414,602	2,414,602	-	-	2,414,602

13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Within 12 months USD	After 12 months USD	Total USD
As at 31 December 2023			
<u>ASSETS</u>			
Cash and cash equivalents	99,813	-	99,813
Prepayment and other receivables	30,760	-	30,760
Financial assets at fair value through other comprehensive income	444,220	2,013,926	2,458,146
TOTAL ASSETS	574,793	2,013,926	2,588,719
<u>LIABILITIES</u>			
Management fees payable	4,970	-	4,970
Accrued expenses and other liabilities	9,451	-	9,451
TOTAL LIABILITIES	14,421	-	14,421
As at 31 December 2022			
<u>ASSETS</u>			
Cash and cash equivalents	38,184	-	38,184
Prepayment and other receivables	30,760	-	30,760
Financial assets at fair value through other comprehensive income	215,762	2,198,840	2,414,602
TOTAL ASSETS	284,706	2,198,840	2,483,546
<u>LIABILITIES</u>			
Management fees payable	4,754	-	4,754
Accrued expenses and other liabilities	15,864	-	15,864
TOTAL LIABILITIES	20,618	-	20,618

14. FINANCIAL RISK MANAGEMENT

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 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.

	31 December 2023 USD	31 December 2022 USD
Cash and cash equivalents	99,813	38,184
Financial assets at fair value through profit or loss	2,458,146	2,414,602
	2,557,959	2,452,786

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

The Fund's terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. The Fund's securities are considered to be readily realizable as they are all listed on the stock market in the Kingdom of Saudi Arabia. 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.

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.

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 Company'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.

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, financial assets at fair value through profit or loss and payables are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments or its future cash flows will fluctuate due to changes in the market interest rates. The time deposit placed by the Fund is a short term fixed interest rate deposit. Apart from that the Fund is not subject to any interest rate risk as all other financial assets and liabilities are non-commission bearing.

Equity price risk

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

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

Sensitivity analysis

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

	31 December 2023 USD	31 December 2022 USD
Strengthening of 5%	122,907	120,730
Weakening of 5%	(122,907)	(120,730)

15. SUBSEQUENT EVENTS

No events occurred after the date of preparation of the financial statements and before the issuance of these financial statements that require amendment or disclosure in these financial statements.

16. LAST VALUATION DAY

The last valuation day of the year was 31 December 2023 (2022: 29 December 2022)

17. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on Ramadan 18, 1445H (Corresponding to March 28, 2024).