

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
together with the
Independent Auditor's Report to the Unitholders

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of Jadwa Saudi Riyal Murabaha Fund

Opinion

We have audited the financial statements of **Jadwa Saudi Riyal Murabaha Fund** (the "Fund") managed by **Jadwa Investment Company** (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, changes in net assets (equity) attributable to the Unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA"), the Fund's terms and conditions and for such internal control as the 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, the 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 the 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, the Fund Board, are responsible for overseeing the Fund's financial reporting process.



Independent Auditor's Report

To the Unitholders of Jadwa Saudi Riyal Murabaha Fund (continued)

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 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 judgement and maintain professional scepticism 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the 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, then 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.

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460

Riyadh, 7 Ramadan 1444H
Corresponding to: 29 March 2023



JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	7	22,422,840	22,668,365
Investments	8	1,379,785,083	982,203,941
Accrued special commission income		<u>1,106,215</u>	<u>343,363</u>
Total assets		<u>1,403,314,138</u>	<u>1,005,215,669</u>
LIABILITIES			
Management fee payable	9	514,886	493,922
Accrued expenses and other liabilities		<u>400,558</u>	<u>298,371</u>
Total liabilities		<u>915,444</u>	<u>792,293</u>
Net assets (equity) attributable to the Unitholders (SAR)		<u>1,402,398,694</u>	<u>1,004,423,376</u>
Units in issuance (numbers)			
Class A		<u>9,588,597.84</u>	<u>7,932,491.25</u>
Class B		<u>3,058,623.36</u>	<u>1,260,675.77</u>
Class C		<u>562,005.01</u>	<u>983,598.94</u>
Net assets (equity) value attributable to each unit			
Class A (SAR)		<u>104.5642</u>	<u>102.5839</u>
Class B (SAR)		<u>123.5349</u>	<u>121.3476</u>
Class C (USD)		<u>10.3827</u>	<u>10.2082</u>

The accompanying notes (1) to (15) form an integral part of these financial statements

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	31 December <u>2022</u>	31 December <u>2021</u>
Special commission income		22,392,997	10,347,361
Gain on investments, net	8.4	<u>9,576,171</u>	<u>5,491,829</u>
Total income		<u>31,969,168</u>	<u>15,839,190</u>
Management fees	9	(3,336,458)	(1,710,765)
Other operating expenses		(1,440,833)	(1,000,566)
Foreign exchange loss		(526,579)	(582,910)
Fund Board fees	9	<u>(16,000)</u>	<u>(16,000)</u>
Total operating expenses		<u>(5,319,868)</u>	<u>(3,310,241)</u>
Net income for the year		26,649,300	12,528,949
Other comprehensive income for the year		--	--
Total comprehensive income for the year		<u><u>26,649,300</u></u>	<u><u>12,528,949</u></u>

The accompanying notes (1) to (15) form an integral part of these financial statements

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE
UNITHOLDERS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

	31 December <u>2022</u>	31 December <u>2021</u>
Net assets (equity) attributable to the Unitholders at beginning of the year	1,004,423,376	1,070,496,169
Net income for the year	26,649,300	12,528,949
<i>Contributions and redemptions by the Unitholders</i>		
Proceeds from issuance of units		
Class A	1,891,427,683	814,144,897
Class B	487,444,965	187,804,030
Class C	20,735,792	235,168,499
	2,399,608,440	1,237,117,426
Payment made against redemptions of units		
Class A	(1,759,712,278)	(901,436,430)
Class B	(231,711,370)	(153,944,572)
Class C	(36,858,774)	(260,338,166)
	(2,028,282,422)	(1,315,719,168)
Net assets (equity) attributable to the Unitholders at end of the year	1,402,398,694	1,004,423,376

The accompanying notes (1) to (15) form an integral part of these financial statements

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS (CONTINUED)
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

Units transactions (numbers)	31 December 2022				31 December 2021			
	Class A	Class B	Class C	Total	Class A	Class B	Class C	Total
Units in issuance at the beginning of the year	7,932,491.25	1,260,675.77	983,598.94	10,176,765.96	8,970,488.92	826,297.63	1,636,137.32	11,432,923.87
Issuance of units during the year	19,946,202.33	4,533,009.41	533,359.50	25,012,571.24	7,972,228.45	1,781,371.07	6,160,995.41	15,914,594.93
Redemption of units during the year	(18,290,095.74)	(2,735,061.82)	(954,953.43)	(21,980,110.99)	(9,010,226.12)	(1,346,992.93)	(6,813,533.79)	(17,170,752.84)
Units in issuance at the end of the year	9,588,597.84	3,058,623.36	562,005.01	13,209,226.21	7,932,491.25	1,260,675.77	983,598.94	10,176,765.96

The accompanying notes (1) to (15) form an integral part of these financial statements

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	<u>31 December</u> <u>2022</u>	31 December <u>2021</u>
Cash flows from operating activities			
Net income for the year		26,649,300	12,528,949
<i>Adjustments for:</i>			
Special commission income		(22,392,997)	(10,347,361)
Gain on investments, net	8.4	(9,576,171)	(5,491,829)
Net changes in operating assets and liabilities			
Purchase of investments at amortized cost		(1,860,795,369)	(598,890,654)
Proceeds from maturity of investments at amortized cost		1,362,797,903	509,752,657
Purchase of investments held at FVTPL		(433,121,918)	(404,730,869)
Proceeds from sale of investments held at FVTPL		551,855,068	450,315,850
Management fee payable		20,964	345,383
Accrued expenses and other liabilities		102,187	197,941
<i>Net cash used in operations</i>		<u>(384,461,033)</u>	<u>(46,319,933)</u>
Special commission income received		12,889,490	8,448,967
Net cash used in operating activities		<u>(371,571,543)</u>	<u>(37,870,966)</u>
Cash flows from financing activities			
Proceeds from issuance of units		2,399,608,440	1,237,117,426
Payments made against redemption of units		(2,028,282,422)	(1,315,719,168)
Net cash generated from / (used in) financing activities		<u>371,326,018</u>	<u>(78,601,742)</u>
Net decrease in cash and cash equivalents		(245,525)	(116,472,708)
Cash and cash equivalents at beginning of the year	7	22,668,365	139,141,073
Cash and cash equivalents at end of the year	7	<u><u>22,422,840</u></u>	<u><u>22,668,365</u></u>

The accompanying notes (1) to (15) form an integral part of these financial statements

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

- a) Jadwa Saudi Riyal Murabaha Fund (the “Fund”) is a trade transactions fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund investors (the “Unitholders”). The Capital Market Authority’s (“CMA”) approval for the establishment of the Fund was granted in its letter number 443 dated Jumad Awal 9, 1428 H (corresponding to 26 May 2007). The Fund commenced its operations on 31 December 2007.

The Fund aims to generate market returns from investments in Sukuk, other funds and short-term Murabaha and Wakala based trade transactions that are compliant with Shariah standards approved by the Fund Manager’s Shariah Committee.

In dealing with the Unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements of the Fund.

The Fund is governed by Investment Fund Regulations (the “Regulations”) published by CMA on 3 Dhul Hijja 1427 H (corresponding to 24 December 2006) thereafter amended (the “amended regulations”) on 16 Sha’ban 1437 H (corresponding to 23 May 2016) and 17 Rajab 1442 H (corresponding to 1 March 2022), detailing requirements for all funds within the Kingdom of Saudi Arabia.

- b) The management of the Fund is the responsibility of the Fund Manager. However, in accordance with the Fund’s terms and conditions, the Fund Manager can delegate or assign its duties to one or more of the financial institutions in the Kingdom of Saudi Arabia and overseas. The Fund Manager of the Fund is Jadwa Investment Company and administrator and custodian of the Fund is HSBC Saudi Arabia.
- c) The Fund Manager charges the Fund a management fee of 10%, 15%, and 15% of the net appreciation with a maximum cap of annualized 0.50%, 0.75% , and 0.75% of the Fund’s asset under management of value of Class A, Class B and Class C units respectively on each valuation day.

The management fee was 15% of the net appreciation with a maximum cap of annualized 0.75% of the Fund’s asset under management on each valuation day.

The Fund Manager has the right to collectively charge the Fund all other expenses related to the management of the Fund, including but not limited to audit fee and legal charges subject to limits as set out in the Fund’s terms and conditions.

2. BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and to comply with the applicable provisions of the Investment Fund Regulations issued by CMA and the Fund’s terms and conditions.

3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost convention, except for the investments which are carried at fair value using accrual basis of accounting and the going concern concept.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Arabian Riyals (“SAR”), which is the Fund’s functional currency. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

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5. USE OF JUDGMENTS AND ESTIMATES

The preparation of these financial statements in accordance with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice 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 accounting estimates are recognized prospectively.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing group of similar financial assets for the purposes of measuring ECL.

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) *Special commission income*

Special commission income including special commission income from non-derivative financial assets measured at amortised cost, are recognized in the statement of comprehensive income, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

b) *Foreign currency translation*

Transactions in currencies other than functional currencies are translated into SAR at the exchange rate at the dates of the transactions. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are retranslated into SAR at the exchange rate at the reporting date. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income as net foreign exchange loss, except for those arising on financial instruments at FVTPL which are recognized as a component of net gain from financial instruments at FVTPL.

c) *Functional currency*

Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of the Fund's investments and transactions are denominated in SAR. Investor subscriptions and redemptions are determined based on equity value, and received and paid in SAR. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in SAR. Accordingly, management has determined that the functional currency of the Fund is SAR.

JADWA SAUDI RIYAL MURABAHA FUND
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For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Net gain or loss on financial assets and liabilities at FVTPL*

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVTPL and exclude interest and dividend income.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

e) *Zakat / taxation*

Under the current system of zakat and income tax in the Kingdom of Saudi Arabia, the Fund is exempt from paying any zakat and income tax. Zakat and income tax are considered to be the obligation of the Unitholders and are not provided in these financial statements.

The Value Added Tax ("VAT") applicable for fees and expenses are recognized in the statement of comprehensive income.

f) *Provisions*

Provisions are recognized whenever there is present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

g) *Management fee*

Management fee is recognized in the statement of comprehensive income as the related services are performed.

h) *Cash and cash equivalents*

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

i) *Financial assets and liabilities*

Classification of financial assets

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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 commission on the principal amount outstanding.

Financial asset at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *Financial assets and liabilities*

Financial asset at fair value through other comprehensive income ("FVOCI") (continued)

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

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial asset at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Business model assessment

The Fund Manager assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and Commission

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Commission' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and commission, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of commission rates.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Amounts in Saudi Arabian Riyals)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *Financial assets and liabilities (continued)*

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Classification of financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets at FVTPL are initially recognized on the trade date, which the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition issue.

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains or losses including any special commission income or dividend income and foreign exchange gains and losses, are recognized in profit or loss in 'net gain / (loss) on investments in the statement of comprehensive income.

Financial assets and financial liabilities at amortized cost are subsequently measured at amortized cost using effective interest method and is recognized in statement of comprehensive income. Any gain or loss on derecognition is also recognized in statement of comprehensive income. The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principle repayments, plus or minus the cumulative amortizing using effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flow from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in statement of comprehensive income. Any commission in such transferred financial assets that is created or retained by the Fund is recognized as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risk and rewards are retained, then the transferred assets are not derecognized.

The Fund derecognize a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle them liability simultaneously. Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) *Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

When available, the Fund measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation

technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

k) *Distributions to the Unitholders*

Distribution to the Unitholders is accounted for as a deduction from net assets (equity) attributable to the Unitholders. An interim dividend is recognized as a liability in the period in which it is irrevocably declared by the Fund Board. A final dividend is recognized as a liability in the period in which it is approved by the Fund Board.

l) *Redeemable units*

The Fund classified financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has redeemable units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank *pari passu* in all respects and have identical terms and conditions. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets at each redemption date and also in the event of the Fund's liquidation.

Redeemable units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- the instrument does not include any other features that would require classification as a liability; and
- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in 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.

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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) New IFRS Standards, interpretations and amendments adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2022 and accordingly adopted by the Fund, as applicable:

<u>Standards / Amendments</u>	<u>Description</u>
Amendments to IFRS 16 IFRS standards 2018-2020	Leases for COVID -19 rent related concessions Annual improvements to IFRS standards 2018-2020
Amendment to IAS 37	Onerous contracts - Cost of fulfilling a Contract
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to conceptual framework

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

n) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Fund's financial statements.

<u>Standards / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1	These narrow-scope amendments to IAS 1, 'Presentation of financial statements'	1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies	1 January 2023
Amendment to IAS 12	Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17,	IFRS 17, 'Insurance contracts', as amended in December 2021	1 January 2023
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendments to IAS 1	These narrow-scope amendments to IAS 1, 'Presentation of financial statements'	1 January 2024

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7. CASH AND CASH EQUIVALENTS

These comprise of balances held with local banks having sound credit rating.

8. INVESTMENTS

	<i>Notes</i>	31 December 2022	31 December 2021
Investment measured at FVTPL:			
- Sukuk	8.1	16,203,191	29,715,312
- Units of open-ended mutual funds	8.2	152,904,617	434,435,050
		169,107,808	464,150,362
Investment measured at amortized cost:			
- Murabaha placements	8.3	1,113,526,275	419,301,116
- Wakala placements	8.3	97,151,000	98,752,463
		1,210,677,275	518,053,579
Total		1,379,785,083	982,203,941

8.1 This carry profit rate of 3.88% per annum (31 December 2021: 3.25% to 3.88% per annum)

8.2 The Fund's investments in the units of open-ended mutual funds is as follows:

<u>Name of investee / security</u>	31 December 2022		
	<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value of open-ended mutual fund investments</u>
Alpha Murabaha Fund	79,058,785	81,434,511	53.26
Riyad SAR Diversified Trade Fund	69,551,373	71,470,106	46.74
Total	148,610,158	152,904,617	100.00
	31 December 2021		
<u>Name of investee / security</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value of open-ended mutual fund investments</u>
Alpha Murabaha Fund	202,763,499	205,567,027	47.32
Riyad SAR Diversified Trade Fund	171,993,328	173,632,029	39.97
Al Rajhi Commodity SAR Fund	35,000,000	35,011,029	8.05
Riyad USD Diversified Trade Fund	20,054,794	20,224,965	4.66
Total	429,811,621	434,435,050	100.00

8.3 These represents Murabaha and Wakala placements with GCC financial institutions. These placements have original maturities of more than three months and carry annual profit rates ranging from 1.45% to 5.99% per annum (2021: 1.00% to 2.55% per annum). As at 31 December 2022, these placements included an accrued profit of SAR 14.3 million (31 December 2021: SAR 4.52 million).

8.4 Below are the details of gain / (loss) on investments:

	31 December 2022	31 December 2021
Realized gain on investments at FVTPL, net	10,260,801	3,254,096
Unrealized (loss) / gain on investments at FVTPL, net	(684,630)	2,237,733
	9,576,171	5,491,829

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9. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include the Fund Manager, the Fund Board and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager.

In addition to transactions disclosed elsewhere in these financial statements, the Fund entered into the following transactions with related parties during the year. These transactions were carried out on the basis of approved terms and conditions of the Fund.

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Jadwa Investment Company	The Fund Manager	Management fee	<u>3,336,458</u>	<u>1,710,765</u>
The Fund Board	The Fund Board	The Fund Board fee (independent member)	<u>16,000</u>	<u>16,000</u>

Balances arising from above transactions with related parties are as follows:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balance</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>514,886</u>	<u>493,922</u>

The amounts of transactions and balances of the Fund's units held by the Fund Manager and certain funds managed by the Fund Manager are as follows:

<u>Related party</u>	<u>Nature of transaction</u>	<u>Amount of transactions for the year ended 31 December</u>		<u>Balances as at</u>	
		<u>2022</u>	<u>2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Jadwa Investment Fund 20	Subscription of units	<u>1,390,000</u>	5,900,000		
	Redemption of units	<u>550,000</u>	--	<u>25,375,650</u>	<u>24,063,801</u>
Jadwa Investment Fund 12	Subscription of units	<u>26,420,746</u>	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>46,393,999</u>	<u>26,864,233</u>
Jadwa International Income Fund	Subscription of units	--	96,187,500		
	Redemption of units	<u>1,329,107</u>	<u>107,959,608</u>	<u>--</u>	<u>4,979,630</u>
Jadwa International PE Fund LP	Subscription of units	<u>3,241,704</u>	30,918,781		
	Redemption of units	<u>6,703,541</u>	<u>45,966,652</u>	<u>18,295,695</u>	<u>30,978,784</u>

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party	Nature of transaction	Amount of transactions for the year ended 31 December		Balances as at	
		2022	2021	31 December 2022	31 December 2021
Jadwa REIT Al Haramain Fund	Subscription of units	--	--		
	Redemption of units	<u>6,412,747</u>	<u>11,530,000</u>	<u>--</u>	<u>6,346,671</u>
Jadwa Private Real Estate Investment Fund 5	Subscription of units	170,000,000	100,000,000		
	Redemption of units	<u>271,496,600</u>	<u>--</u>	<u>--</u>	<u>100,282,018</u>
Nafaqah Waqf Fund	Subscription of units	1,586,908	6,070,059		
	Redemption of units	<u>4,678,207</u>	<u>2,086,135</u>	<u>936,128</u>	<u>4,003,821</u>
Real Estate Investment Fund	Subscription of units	170,000,000	60,000,000		
	Redemption of units	<u>232,757,203</u>	<u>--</u>	<u>--</u>	<u>60,421,604</u>
Jadwa Conservative Fund For Social Development	Subscription of units	1,500,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>1,520,543</u>	<u>--</u>
Jadwa Investment Co	Subscription of units	130,000,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>130,948,323</u>	<u>--</u>
Jadwa Investment Fund 16	Subscription of units	2,600,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>2,615,196</u>	<u>--</u>
Jadwa Investment Fund 45	Subscription of units	840,000	--		
	Redemption of units	<u>75,000</u>	<u>--</u>	<u>769,828</u>	<u>--</u>
Jadwa Investment Fund 41	Subscription of units	5,950,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>5,983,889</u>	<u>--</u>
Jadwa Investment Fund 41	Subscription of units	5,950,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>5,983,889</u>	<u>--</u>
Jadwa Investment Fund 42	Subscription of units	11,000,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>11,071,061</u>	<u>--</u>
Jadwa Investment Fund 14	Subscription of units	5,500,000	--		
	Redemption of units	<u>--</u>	<u>--</u>	<u>5,533,775</u>	<u>--</u>

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party	Nature of transaction	Amount of transactions for the year ended 31 December		Balances as at	
		2022	2021	31 December 2022	31 December 2021
Jadwa Investment Fund 19	Subscription of units	43,900,000	--		
	Redemption of units	--	--	44,233,280	--
Jadwa Investment Fund 17	Subscription of units	4,200,000	--		
	Redemption of units	--	--	4,225,737	--
Jadwa Investment Fund 13	Subscription of units	4,570,000	--		
	Redemption of units	--	--	4,225,737	--
Jadwa Investment Fund 34	Subscription of units	4,800,000	--		
	Redemption of units	--	--	4,829,401	--
Jadwa Investment Fund 33	Subscription of units	14,900,000	--		
	Redemption of units	--	--	14,992,367	--
Jadwa Investment Fund 32	Subscription of units	2,559,000	--		
	Redemption of units	--	--	2,574,801	--
Jadwa Investment Fund 25	Subscription of units	16,700,000	--		
	Redemption of units	--	--	16,824,655	--
Jadwa Private Real Estate Fund	Subscription of units	15,000,000	--		
	Redemption of units	15,146,929	--	--	--
Jadwa Private Real Estate Investment Fund 15	Subscription of units	40,000,000	--		
	Redemption of units	40,315,940	--	--	--
Jadwa REIT Saudi Fund	Subscription of units	37,000,000	--		
	Redemption of units	37,254,220	--	--	--
Jadwa REITs Fund	Subscription of units	10,000,000	--		
	Redemption of units	--	--	10,074,394	--
Al Dar Investment Fund	Subscription of units	20,206,664	20,000,000		
	Redemption of units	20,029,885	--	--	20,136,937

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10. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

<u>31 December 2022</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	22,422,840	--
Investments	1,210,677,275	169,107,808
Accrued special commission income	1,106,215	--
Total financial assets	1,234,206,330	169,107,808
<i>Financial liabilities</i>		
Management fee payable	514,886	--
Accrued expenses and other current liabilities	400,558	--
Total financial liabilities	915,444	--
<u>31 December 2021</u>	<u>Amortized cost</u>	<u>FVTPL</u>
<i>Financial assets</i>		
Cash and cash equivalents	22,668,365	--
Investments	518,053,579	464,150,362
Accrued special commission income	343,363	--
Total financial assets	541,065,307	464,150,362
<i>Financial liabilities</i>		
Management fee payable	493,922	--
Accrued expenses and other current liabilities	298,371	--
Total financial liabilities	792,293	--

11. FINANCIAL RISK MANAGEMENT

The Fund has exposure to the following risks from financial instruments:

- a) market risk;
- b) credit risk;
- c) liquidity risk; and
- d) operational risk.

The Fund primarily aims to invest in a diversified portfolio consisting of short term money market instruments bank Murabaha and Wakala placements in local and international markets. The nature and extent of the financial instruments outstanding at the statement of financial position date and the risk management policies employed by the Fund are discussed below.

The Fund Manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with target asset allocations as per the terms and conditions is monitored by the portfolio management team on a regular basis.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

a) Market risk

'Market Risk' is the risk that changes in market prices – such as commission rates, foreign exchange rates and equity prices– will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per the Fund's terms and conditions.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

The Fund's market risk is managed by the Fund Manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a daily basis by the portfolio manager.

i) Foreign currency risk

Currency risk is the risk that the value of a financial instrument may fluctuate due to a change in foreign exchange rates.

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than its functional currency, primarily in United States Dollar (USD) and Bahraini Dinar (BHD). Consequently, the Fund is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets or financial liabilities denominated in currencies other than SAR.

The Fund's currency risk is managed on a timely basis by the Fund Manager in accordance with the policies and procedures in place. The Fund's currency positions and exposures are monitored on a daily basis by the Fund Manager.

The table below summarizes the Fund's assets and liabilities, which are denominated in currencies other than the SAR.

Exposure

At the reporting date, the carrying amount of the Fund's net financial assets and financial liabilities held in individual foreign currencies, expressed in SAR and as a percentage of its net assets (equity), are as follows:

<u>Currency</u>	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<u>SAR</u>	<u>% of net assets (equity)</u>	<u>SAR</u>	<u>% of net assets (equity)</u>
Bahraini Dinar (BHD)	<u>139,626,548</u>	<u>9.96</u>	403,386,607	40.16
United States Dollar (USD)	<u>20,140,141</u>	<u>1.44</u>	49,949,744	4.98
	<u>159,766,689</u>	<u>11.40</u>	453,336,351	45.14

Sensitivity analysis

The table below sets out the decrease in net assets (equity) attributable to the Unitholders in case currencies other than the functional currency i.e. USD and BAH weaken by 0.50% relative to SAR. The analysis assumes that all other variables, in particular commission rates, remain constant.

Effect in amounts of SAR (decrease)

<u>Currency</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Bahraini Dinar (BHD)	<u>(698,133)</u>	(2,016,933)
United States Dollar (USD)	<u>(100,701)</u>	(249,749)
	<u>(798,834)</u>	<u>(2,266,682)</u>

Effect in % of net assets (equity) attributable to the Unitholders (decrease)

<u>Currency</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Bahraini Dinar (BHD)	<u>-0.05%</u>	-0.20%
United States Dollar (USD)	<u>-0.01%</u>	-0.03%
	<u>-0.06%</u>	<u>-0.23%</u>

Strengthening of currencies other than the functional currency i.e. USD and BAH relative to SAR will result in an equal but opposite effect on the net assets (equity) attribute to the Unitholders.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

ii) Cash flow commission rate risk

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund holds variable commission securities (sukuk) that exposes that Fund to cash flow commission rate risk.

The Fund's commission rate risk is monitored on a daily basis by the portfolio management team. If the commission rate risk is not in accordance with the Fund's terms and conditions, the Investment Manager is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

If the commission rate risk is not in accordance with the Fund's terms and conditions, then the Fund Manager is required to rebalance the portfolio within a reasonable period of time of each determination of such occurrence.

Sensitivity analysis

The following table demonstrates the sensitivity of the net assets (equity) attributable to the Unitholders to a reasonably possible decrease of 100 basis points in commission rate, with all other variables held constant. The sensitivity of the net assets (equity) attributable to the Unitholders is the effect of the assumed changes in special commission rates on the Fund's net assets (equity) attributable to the Unitholders for one year, based on the floating rate financial assets held as at the year-end.

Effect in amounts of SAR (decrease)

	31 December <u>2022</u>	31 December <u>2021</u>
Net assets (equity) attributable to the Unitholders (reduction)	(162,032)	(297,153)

Effect in % of net assets (equity) attributable to the Unitholders (decrease)

	31 December <u>2022</u> %	31 December <u>2021</u> %
Net assets (equity) attributable to the Unitholders (reduction)	(0.01)	(0.03)

An increase in commission rates of the same amount would have resulted in an opposite effect to the amounts shown.

iii) Other price risk

Other price risk' is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from commission rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Fund's terms and conditions. A summary analysis of investments by nature is presented below. All of the Fund's securities are tradeable and overall market position is monitored on a daily basis by the Fund Manager, and it is reviewed on weekly basis by the portfolio management team.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

. iii) Other price risk (continued)

Exposure

The Fund Manager monitors the concentration risk for investments based on counterparties. The Fund's investments are concentrated in the following counterparties.

<u>Name of investee / security</u>	31 December 2022		% of Fair value of open-ended mutual fund investments
	Cost	Fair value	
Alpha Murabaha Fund	79,058,785	205,567,027	53.26
Riyad SAR Diversified Trade Fund	69,551,373	173,632,029	46.74
Total	148,610,158	152,904,617	100.00

<u>Name of investee / security</u>	31 December 2021		% of Fair value of open-ended mutual fund investments
	Cost	Fair value	
Alpha Murabaha Fund	202,763,499	205,567,027	47.32
Riyad SAR Diversified Trade Fund	171,993,328	173,632,029	39.97
Al Rajhi Commodity SAR Fund	35,000,000	35,011,029	8.05
Riyad USD Diversified Trade Fund	20,054,794	20,224,965	4.66
Alpha Murabaha Fund	202,763,499	205,567,027	47.32
Total	429,811,621	434,435,050	100.00

b) Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from Murabaha and Wakala placements held, cash and cash equivalents and sukuk investment. For risk management reporting purposes, the Fund considers and aggregates all elements of credit risk exposure such as individual obligor default risk, counter party risk and sector risk etc. The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

The Fund's credit risk is monitored on a regular basis by portfolio management team to ensure it is in line with the investment guidelines of the Fund.

The table below shows the maximum exposure to credit risk for the component of the statement of financial position:

	31 December 2022	31 December 2021
Cash and cash equivalents	22,422,840	22,668,365
Investments	1,226,880,466	547,768,891
Accrued special commission income	1,106,215	343,363
Total exposure to credit risk	1,250,409,521	570,780,619

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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. Credit risks are generally managed on the basis of external credit ratings of the counterparties. Cash and cash equivalents are maintained with banks having sound credit ratings.

Allowance for impairment

The Fund has investments in Murabaha and Wakala placements which are measured at amortised cost and the impact of ECL is not material to the financial statements since investments are with counter parties having sound credit rating. Hence, no impairment allowance is recorded in these financial statements.

c) Liquidity risk

‘Liquidity risk’ is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Fund’s policy and the Fund Manager’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund’s reputation. The Fund’s terms and conditions provide for subscription and redemption of units on every Saudi business day and it is, therefore, exposed to the liquidity risk of meeting the Unitholder redemptions on these days. The Fund’s financial liabilities primarily consist of payables which are expected to be settled within one month from the statement of financial position date.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions and / or liquidation of the investment portfolio. The Fund’s investments are in short-term deposits with local banks and these open-ended mutual funds which are considered to be readily realizable.

The contractual maturity profile of the financial assets and financial liabilities of the Fund is as follows:

	<i>Within 12 months</i>	<i>After 12 months</i>	<i>No fixed maturity</i>	<i>Total</i>
As at 31 December 2022				
Cash and cash equivalents	--	--	22,422,840	22,422,840
Investments measured at FVTPL	16,203,191	--	152,904,617	169,107,808
Investments measured at amortised cost	1,210,677,275	--	--	1,210,677,275
Accrued special commission income	1,106,215	--	--	1,106,215
Total financial assets	1,227,986,681	--	175,327,457	1,403,314,138
Management fee payable	514,886	--	--	514,886
Accrued expenses and other liabilities	400,558	--	--	400,558
Total financial liabilities	915,444	--	--	915,444
	<i>Within 12 months</i>	<i>After 12 months</i>	<i>No fixed maturity</i>	<i>Total</i>
As at 31 December 2021				
Cash and cash equivalents	--	--	22,668,365	22,668,365
Investments measured at FVTPL	13,044,443	16,670,869	434,435,050	464,150,362
Investments measured at amortised cost	518,053,579	--	--	518,053,579
Accrued special commission income	332,732	--	--	332,732
Total financial assets	531,430,754	16,670,869	457,103,415	1,005,205,038
Management fee payable	493,922	--	--	493,922
Accrued expenses and other liabilities	298,371	--	--	298,371
Total financial liabilities	792,293	--	--	792,293

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements. The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

The primary responsibility for the development and implementation of control over operational risks rests with the risk management team. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
 - appropriate segregation of duties between various functions, roles and responsibilities;
 - reconciliation and monitoring of transactions; and
 - periodic assessment of operational risks faced,
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective.

12. FAIR VALUE MEASUREMENT

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Fund values investments in the unlisted open-ended mutual fund is determined using unadjusted net assets (equity) value (Level 2 valuation). The unadjusted net assets (equity) value is used when the units in a fund are redeemable at the reportable net assets (equity) value at, or appropriately at, the measurement date.

The Fund determined fair value of securities that are traded on stock exchange at their last reported prices. To the extent that securities are actively traded and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy.

The Fund determined fair value of investments in open-ended mutual funds measured at FVTPL using unadjusted net assets value. Moreover, the fair value of investments in unlisted sukuk measured at FVTPL is determined based on the similar security external price. Therefore, the Fund classified them as level 2 of the fair value hierarchy.

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12. FAIR VALUE MEASUREMENT (CONTINUED)

Carrying amounts and fair value

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

		31 December 2022			
Financial assets at fair value	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<i>Investments</i>					
Sukuk	16,203,191	--	16,203,191	--	16,203,191
Units of open-ended mutual funds	152,904,617	--	152,904,617	--	152,904,617
Murabaha and Wakala placements	1,210,677,275	--	--	1,210,677,275	1,210,677,275
Total	1,379,785,083	--	169,107,808	1,210,677,275	1,379,785,083
		31 December 2021			
Financial assets at fair value	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<i>Investments</i>					
Sukuk	29,715,312	--	29,715,312	--	29,715,312
Units of open-ended mutual funds	434,435,050	--	434,435,050	--	434,435,050
Murabaha and Wakalaplacements	518,053,579	--	--	518,053,579	518,053,579
Total	982,203,941	--	464,150,362	518,053,579	982,203,941

During the year, there were no transfers between the fair value hierarchy.

Other financial instruments such as cash and cash equivalents, accrued special commission income, management fees payable, accrued expenses and other liabilities are short-term financial assets and financial liabilities whose carrying amounts are approximate to their fair value due to their short-term nature. Cash and cash equivalents are classified under level 1, while the remaining financial assets and liabilities are classified under level 3.

13. EVENTS AFTER THE END OF THE REPORTING PERIOD

There is no event subsequent to the statement of financial position date which require adjustment of or disclosure in the financial statement or notes thereto.

14. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these financial statements was 31 December 2022 (2021: 31 December 2021)

15. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board on 6 Ramadan 1444H (corresponding to 28 March 2023).