

NAFAQAH WAQF 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

NAFAQAH WAQF FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
Financial Statements
For the year ended 31 December 2022

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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 Nafaqah Waqf Fund

Opinion

We have audited the financial statements of **Nafaqah Waqf 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 ended 31 December 2021, 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 period 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.

KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (40,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (٤٠,٠٠٠,٠٠٠) ريال سعودي منفوع بالكامل، المسماة سابقاً "الشركة كي بي إم جي للفوزان وشركاء محاسبين ومراجعين قانونيين"، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

NAFAQAH WAQF 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)

	<u>Notes</u>	31 December 2022	31 December <u>2021</u>
ASSETS			
Cash and cash equivalents	8	158,583	612,459
Investments	9	23,650,990	16,185,886
Total assets		23,809,573	16,798,345
LIABILITIES			
Management fee payable	10	31,042	420
Accrued expenses and other payable		43,409	46,989
Fund Board fee payable	10	32,000	16,000
Total liabilities		106,451	63,409
Net assets (equity) attributable to the Unitholders (SAR)		23,703,122	16,734,936
Units in issuance (numbers)		2,177,429.85	1,481,526.45
Net assets (equity) attributable to each unit (SAR)		10.8858	11.2957

The accompanying notes (1) to (16) form an integral part of these financial statements.

NAFAQAH WAQF 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)

		For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
	<i>Notes</i>		
(Loss) / gain on investment, net	9.1	(806,901)	1,507,361
Dividend income		124,367	--
Total income		(682,534)	1,507,361
Management fees	10	(30,622)	(602)
Fund Board fees	10	(16,000)	(16,000)
Other operating expenses		(56,988)	(54,656)
Foreign exchange loss		(12,837)	(2,561)
Total operating expenses		(116,447)	(73,819)
Net (loss) / profit for the year / period		(798,981)	1,433,542
Other comprehensive income for the year / period		--	--
Total comprehensive (loss) / income for the year / period		(798,981)	1,433,542

The accompanying notes (1) to (16) form an integral part of these financial statements.

NAFAQAH WAQF 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)

	For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
Net assets (equity) attributable to the Unitholders at beginning of the year	16,734,936	--
Net (loss) / income for the year / period	(798,981)	1,433,542
Proceeds from the issuance of units	7,767,167	15,301,394
Net assets (equity) attributable to the Unitholders at end of the year	<u>23,703,122</u>	<u>16,734,936</u>

	For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
Units transactions (numbers)		
Units in issuance at the beginning of the year / period	1,481,526.45	--
Issuance of units during the year / period	695,903.40	1,481,526.45
Units in issuance at end of the year / period	<u>2,177,429.85</u>	<u>1,481,526.45</u>

The accompanying notes (1) to (16) form an integral part of these financial statements.

NAFAQAH WAQF 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)

		For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
	<i>Notes</i>		
Cash flows from operating activities			
Net (loss) / profit for the year / period		(798,981)	1,433,542
<i>Adjustments for:</i>			
(Loss) /gain from investments, net	9.1	806,901	(1,507,361)
Dividend income		(124,367)	--
		(116,447)	(73,819)
Net changes in operating assets and liabilities			
Purchase of investments		(17,583,799)	(23,708,150)
Proceeds from sale of investments		9,311,794	9,029,625
Management fee payable		30,622	420
Accrued expenses and other payable		(3,580)	46,989
Fund Board fee payable		16,000	16,000
Net cash used in operations		(8,345,410)	(14,688,935)
Dividend received		124,367	--
Net cash used in operating activities		(8,221,043)	(14,688,935)
Cash flows from financing activities			
Proceeds from issue of units		7,767,167	15,301,394
Net cash generated from financing activities		7,767,167	15,301,394
Net (decrease) / increase in cash and cash equivalents		(453,876)	612,459
Cash and cash equivalents at beginning of the year / period	8	612,459	--
Cash and cash equivalents end of the year / period	8	158,583	612,459

The accompanying notes (1) to (16) form an integral part of these financial statements.

NAFAQAH WAQF 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. GENERAL INFORMATION

- (a) Nafaqah Waqf Fund (the “Fund”) is an open-ended equity fund established and managed as per terms and conditions between Jadwa Investment Company (the “Fund Manager”) and the Fund investors (the “Unitholders”). The Fund commenced its operations on 20 January 2021 after approval from the Capital Market Authority’s (“CMA”)

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. While the Fund Manager receives subscription amounts from subscribers (persons who create endowment) and investing it locally and internationally in all assets categories for the purpose of appreciation of endowed capital and distribute (50%) of the net income (endowment returns) periodically on the endowment expenses specified for the Fund that represents the beneficiary body. The Fund’s net assets at the time of liquidation will also be used toward endowment purposes.

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.

- (b) The Fund is governed by Investment Fund Regulations (the “Regulations”) published by Capital Market Authority (“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 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Fund is also subject to the licensing instructions for endowment investment funds.
- (c) 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 and administrator of the Fund is Jadwa Investment Company and custodian of the Fund is AlBilad Capital.

The Fund Manager charges the Fund a management fee of 0.6% of the net assets (equity) value at each valuation day (on each Monday and Thursday of the week). The Fund Manager does not charge any management fee when it is investing in any funds managed by Jadwa Investment Company.

In addition, 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 not exceeding 3% of the net assets (equity) annually.

2. BASIS OF PRESENTATION

These 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.

3. 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 Funds Regulations issued by Capital Market Authority, the Fund’s terms and conditions.

NAFAQAH WAQF FUND
An open-ended mutual fund
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4. 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.

5. FUNCTIONAL AND PRESENTATION CURRENCY

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

6. 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.

7. 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) *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 investment and transactions are denominated in SAR. Investor subscriptions and redemptions are determined based on equity value, and received and paid in SAR. Expenses are denominated and paid in SAR. Accordingly, management has determined that the functional currency of the Fund is SAR.

b) *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).

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Dividend income*

Dividend income is recognized in the statement of comprehensive income on the date on which the right to receive payment is established. For private equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at fair value through profit or loss is recognized in the statement of comprehensive income in a separate line item.

d) *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 the accompanying financial statements.

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

e) *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.

f) *Management fee*

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

g) *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.

h) *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 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 interest on the principal amount outstanding.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets and liabilities (continued)

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.

- 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 interest 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 profit

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' 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 profit, 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 interest rates.

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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) 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 amortized cost unless it has designated liabilities at FVTPL.

Recognition and initial measurement

Financial assets at FVTPL are initially recognized on the trade date, which is 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 gain or losses including any foreign exchange gains and losses, are recognized in profit or loss in 'unrealized gain / (loss) on investment' 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 the statement of comprehensive income. Any gain or loss on de-recognition is also recognized in the 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 interest 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.

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For the year ended 31 December 2022
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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial assets and liabilities (continued)

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.

i) 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.

j) Distributions to the Unitholders

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

k) 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.

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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7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) 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	Leases for COVID -19 rent related concessions
IFRS standards 2018-2020	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.

m) 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 8	Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates.	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	Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	1 January 2024
Amendments to IFRS 16	Lease liability in a Sale and Leaseback	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

8. CASH AND CASH EQUIVALENTS

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

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9. INVESTMENTS

		31 December 2022	31 December 2021
Investment measured at FVTPL:			
- Units in mutual funds	<i>12(a)</i>	<u>23,650,990</u>	<u>16,185,886</u>

9.1 Below are the details of (losses) / gains from investments measured at FVTPL, net:

	For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
Realized (loss) / gain on investments at FVTPL, net	(217,446)	621,340
Unrealized (loss) / gain on investments at FVTPL, net	<u>(589,455)</u>	<u>886,021</u>
	<u>(806,901)</u>	<u>1,507,361</u>

10. 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 the related parties during the year / period. These transactions were carried out on the basis of approved terms and conditions of the Fund.

Related party	Nature of relationship	Nature of transactions	For the year ended 31 December 2022	For the period from 20 January 2021 to 31 December 2021
Jadwa Investment Company	The Fund Manager	Management fee	<u>30,622</u>	<u>602</u>
The Fund Board	The Fund Board	The Fund Board fee (independent member)	<u>16,000</u>	<u>16,000</u>

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

Related party	Nature of relationship	Nature of balances	31 December 2022	31 December 2021
Jadwa Investment Company	The Fund Manager	Management fee payable	<u>31,042</u>	<u>420</u>
The Fund Board	The Fund Board	Fee payable to an independent member of the Fund Board	<u>32,000</u>	<u>16,000</u>

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11. 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:

31 December 2022	Amortized cost	FVTPL
<i>Financial assets</i>		
Cash and cash equivalents	158,583	--
Investments	--	23,650,990
Total financial assets	158,583	23,650,990
<i>Financial liabilities</i>		
Management fee payable	31,042	--
Accrued expenses and other payable	43,935	--
Fund Board fee payable	31,474	--
Total financial liabilities	106,451	--
31 December 2021	Amortized cost	FVTPL
<i>Financial assets</i>		
Cash and cash equivalents	612,459	--
Investments	--	16,185,886
Total financial assets	612,459	16,185,886
<i>Financial liabilities</i>		
Management fee payable	420	--
Accrued expenses and other payable	46,989	--
Fund board fee payable	16,000	--
Total financial liabilities	63,409	--

12. FINANCIAL RISK MANAGEMENT

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

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

The Fund aims to enhance the development role of private endowment in supporting the Fund through developing, investing, protecting endowed assets of the Fund to achieve social solidarity and bring benefits to the expenses of endowment and the endowed asset. 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, equity prices and credit spreads – 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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12. 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 management team.

i. Foreign currency risk

Foreign currency risk arises as the value of future transactions, recognized monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes 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 SAR. 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 Riyal.

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 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), were as follows.

<u>Currency</u>	31 December 2022	
	Amount in SAR	% of net assets (equity)
USD	14,151,045	59.70

<u>Currency</u>	31 December 2021	
	Amount in SAR	% of net assets (equity)
USD	8,158,672	48.75

Sensitivity analysis

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

Effect in amounts of SAR (decrease)

<u>Currency</u>	31 December 2022	31 December 2021
USD	(70,755)	(40,998)

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

<u>Currency</u>	31 December 2022	31 December 2021
USD	-0.30%	-0.24%

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

i. Foreign currency risk (continued)

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

ii. 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 is not subject to commission rate risk on its investments.

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.

Exposure

The Fund Manager monitors the concentration risk for investments based on counterparties. The composition of the Fund's investment in units of mutual funds is as follows:

	31 December 2022		
<u>Investment Funds</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of Fair value to total investments</u>
Jadwa Saudi Equity Fund - Class B*	8,052,213	8,720,881	36.87
Jadwa Global Sukuk Fund - Class B*	4,373,030	4,176,837	17.66
Aljazira Sukuk Fund	4,318,138	4,103,060	17.35
Jadwa International Multi-manager Real Assets Fund - Class A*	1,358,600	1,372,852	5.80
Jadwa International Multi-manager Absolute Return Fund - Class A*	1,358,600	1,362,998	5.76
Jadwa International Multi-manager Private Equity Fund - Class A*	1,012,879	1,024,073	4.33
Jadwa International Multi-manager Absolute Return Fund 2- Class A*	977,080	977,080	4.13
Jadwa International Multi-manager Real Assets Fund 2- Class A*	977,080	977,080	4.13
Jadwa Saudi Riyal Murabaha Fund - Class B*	926,803	936,128	3.96
Total	23,354,424	23,650,990	100.00

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

	31 December 2021		
	Cost	Fair value	% of fair value to total investments
<u>Investment Funds</u>			
Jadwa Saudi Riyal Murabaha Fund - Class B*	3,996,105	4,003,820	24.75
Jadwa Global Sukuk Fund- Class B*	3,816,829	3,812,354	23.55
Jadwa Saudi Equity Fund - Class B*	2,499,526	3,378,059	20.87
Jadwa International Multi-manager Absolute Return Fund - Class A*	1,358,600	1,360,085	8.40
Jadwa International Multi-manager Real Assets Fund - Class A*	1,358,600	1,360,085	8.40
Al Rajhi Commodity Mudaraba Fund - SAR	1,257,327	1,257,795	7.77
Jadwa International Multi-manager Private Equity Fund - Class A*	1,012,878	1,013,688	6.26
Total	15,299,865	16,185,886	100.00

* A funds managed by the Fund Manager.

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 cash and cash equivalents and dividend receivable (if any). 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 each component of the statement of financial position:

	31 December 2022	31 December 2021
Cash and cash equivalents	158,583	612,459

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.

c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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.

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12. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio.

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	--	--	158,583	158,583
Investments measured at FVTPL	--	--	23,650,990	23,650,990
Total financial assets	--	--	23,809,573	23,809,573
Management fee payable	31,042	--	--	31,042
Accrued expenses and other payable	43,935	--	--	43,935
Fund board fees payable	31,474	--	--	31,474
Total financial liabilities	106,451	--	--	106,451
	<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	--	--	612,459	612,459
Investments measured at FVTPL	--	--	16,185,886	16,185,886
Total financial assets	--	--	16,798,345	16,798,345
Management fee payable	420	--	--	420
Accrued expenses and other payable	46,989	--	--	46,989
Fund board fees payable	16,000	--	--	16,000
Total financial liabilities	63,409	--	--	63,409

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 the 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:
 - o appropriate segregation of duties between various functions, roles and responsibilities;
 - o reconciliation and monitoring of transactions; and
 - o 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.

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

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					
<u>Financial assets at fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	23,650,990	--	23,650,990	--	23,628,503

31 December 2021					
<u>Financial assets at fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	16,185,886	--	16,185,886	--	16,185,886

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

Other financial instruments such as cash and cash equivalents, management fees payable, accrued expenses and other payable 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.

14. 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 statements or notes thereto.

15. VALUATION DAY

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

16. 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).