

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2024
together with the
Independent Auditor's Report to the Unitholders

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
FINANCIAL STATEMENTS
For the year ended 31 December 2024

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KPMG Professional Services Company

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

واجهة روشن، 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 2024, the statements of profit or loss and other 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 material 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 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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 Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the 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 of **Jadwa Saudi Riyal Murabaha Fund** ("The Fund").

KPMG Professional Services Company



Nasser Ahmed Alshutairy
License No: 454



Riyadh, 24 Ramadan 1446H
Corresponding to: 24 March 2025

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(Amounts in Saudi Arabian Riyals)

| | <i>Notes</i> | 31 December 2024 | 31 December 2023 |
|--|--------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7 | 518,447,799 | 1,052,115,167 |
| Investments | 8 | 1,806,036,175 | 93,820,513 |
| Total assets | | <u>2,324,483,974</u> | <u>1,145,935,680</u> |
| LIABILITIES | | | |
| Management fee payable | 1(c), 9 | 3,532,732 | 1,342,218 |
| Accrued expenses and other liabilities | | 364,101 | 311,243 |
| Redemption payable | | 10,500,000 | 29,356,091 |
| Total liabilities | | <u>14,396,833</u> | <u>31,009,552</u> |
| Net assets (equity) attributable to the Unitholders (SAR) | | <u>2,310,087,141</u> | <u>1,114,926,128</u> |
| Units in issuance (numbers) | | | |
| Class A | | <u>12,728,459.40</u> | <u>8,263,853.43</u> |
| Class B | | <u>3,894,508.63</u> | <u>1,266,853.92</u> |
| Class C | | <u>7,087,426.65</u> | <u>1,077,950.58</u> |
| Net assets (equity) value attributable to each unit | | | |
| Class A (SAR) – IFRS | 15 | <u>115.8895</u> | <u>109.7638</u> |
| Class B (SAR) – IFRS | 15 | <u>136.1442</u> | <u>129.3177</u> |
| Class C (USD) – IFRS | 15 | <u>11.4448</u> | <u>10.8918</u> |
| Net assets (equity) value attributable to each unit | | | |
| Class A (SAR) – Dealing | 15 | <u>115.8895</u> | <u>109.7638</u> |
| Class B (SAR) – Dealing | 15 | <u>136.1442</u> | <u>129.3177</u> |
| Class C (USD) – Dealing | 15 | <u>11.4448</u> | <u>10.8918</u> |

The accompanying notes (1) to (16) 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

| | <i>Notes</i> | 31 December 2024 | 31 December <u>2023</u> |
|--|--------------|-----------------------------|----------------------------|
| Special commission income | | 68,225,656 | 77,510,770 |
| Gain on investments, net | 8.2 | 16,230,609 | 4,149,387 |
| Total income | | <u>84,456,265</u> | <u>81,660,157</u> |
| Management fees | 1(c) , 9 | (9,555,682) | (9,143,159) |
| Other operating expenses | | (958,300) | (1,036,809) |
| Foreign exchange loss | | (233,935) | (199,725) |
| Fund Board fees | 9 | (14,667) | (16,000) |
| Total operating expenses | | <u>(10,762,584)</u> | <u>(10,395,693)</u> |
| Net profit for the year | | 73,693,681 | 71,264,464 |
| Other comprehensive income for the year | | - | -- |
| Total comprehensive income for the year | | <u>73,693,681</u> | <u>71,264,464</u> |

The accompanying notes (1) to (16) 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 2024
(Amounts in Saudi Arabian Riyals)

| | 31 December <u>2024</u> | 31 December <u>2023</u> |
|---|------------------------------------|------------------------------------|
| Net assets (equity) attributable to the Unitholders at the beginning of the year | 1,114,926,128 | 1,402,398,694 |
| Total comprehensive income for the year | 73,693,681 | 71,264,464 |
| <i>Contributions and redemptions by the Unitholders</i> | | |
| Proceeds from issuance of units: | | |
| - Class A | 2,003,863,008 | 1,682,605,743 |
| - Class B | 712,319,489 | 241,784,554 |
| - Class C | 490,602,791 | 85,340,368 |
| | 3,206,785,288 | 2,009,730,665 |
| Payment made against redemptions of units | | |
| - Class A | (1,481,893,745) | (1,840,960,144) |
| - Class B | (359,702,196) | (461,971,818) |
| - Class C | (243,722,015) | (65,535,735) |
| | (2,085,317,956) | (2,368,467,695) |
| Total contributions and redemptions by the Unitholders | 1,121,467,332 | (358,737,032) |
| Net assets (equity) attributable to the Unitholders at the end of the year | 2,310,087,141 | 1,114,926,128 |

The accompanying notes (1) to (16) 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 2024
(Amounts in Saudi Arabian Riyals)

| Units transactions <i>(numbers)</i> | 31 December 2024 | | | | 31 December 2023 | | | |
|---|-------------------------|-----------------------|-----------------------|------------------------|-------------------------|----------------|----------------|-----------------|
| | Class A | Class B | Class C | Total | Class A | Class B | Class C | Total |
| Units in issuance at the beginning of the year | 8,263,853.43 | 1,266,852.92 | 1,077,949.58 | 10,608,655.93 | 9,588,597.84 | 3,058,623.36 | 562,005.01 | 13,209,226.21 |
| Issuance of units during the year | 17,697,276.13 | 5,333,039.47 | 11,809,177.82 | 34,839,493.42 | 16,185,527.11 | 1,967,182.71 | 2,147,207.08 | 20,299,916.90 |
| Redemption of units during the year | (13,232,670.16) | (2,705,383.76) | (5,799,700.75) | (21,737,754.67) | (17,510,271.52) | (3,758,953.15) | (1,631,261.51) | (22,900,486.18) |
| Units in issuance at the end of the year | 12,728,459.40 | 3,894,508.63 | 7,087,426.65 | 23,710,394.68 | 8,263,853.43 | 1,266,852.92 | 1,077,949.58 | 10,608,655.93 |

The accompanying notes (1) to (16) 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 2024
(Amounts in Saudi Arabian Riyals)

| | <u>Notes</u> | 31 December 2024 | 31 December <u>2023</u> |
|---|--------------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Net profit for the year | | 73,693,681 | 71,264,464 |
| <i>Adjustments for:</i> | | | |
| Special commission income | | (68,225,656) | (4,149,387) |
| Gain on investments, net | 8.2 | <u>(16,230,609)</u> | <u>(77,510,770)</u> |
| | | (10,762,584) | (10,395,693) |
| <i>Net changes in operating assets and liabilities</i> | | | |
| Purchase of investments at amortized cost | | (40,803,829,517) | (61,394,496,410) |
| Proceeds from maturity of investments at amortized cost | | 39,501,018,217 | 62,687,313,793 |
| Purchase of investments held at FVTPL | | (560,000,000) | - |
| Proceeds from sale of investments held at FVTPL | | 175,000,000 | - |
| Management fee payable | | 2,190,514 | 652,260 |
| Accrued expenses and other liabilities | | 52,858 | 85,757 |
| Redemption payable | | <u>(18,856,091)</u> | <u>29,356,091</u> |
| <i>Net cash (used in)/generated from operations</i> | | <u>(1,715,186,603)</u> | <u>1,312,515,798</u> |
| Special commission income received | | 60,051,903 | 75,913,559 |
| Net cash (used in)/generated from operating activities | | <u>(1,655,134,700)</u> | <u>1,388,429,357</u> |
| Cash flows from financing activities | | | |
| Proceeds from issuance of units | | 3,206,785,288 | 2,009,730,665 |
| Payments made against redemption of units | | <u>(2,085,317,956)</u> | <u>(2,368,467,695)</u> |
| Net cash generated from/(used in) financing activities | | <u>1,121,467,332</u> | <u>(358,737,030)</u> |
| Net Increase in cash and cash equivalents | | (533,667,368) | 1,029,692,327 |
| Cash and cash equivalents at beginning of the year | 7 | <u>1,052,115,167</u> | 22,422,840 |
| Cash and cash equivalents at end of the year | 7 | <u><u>518,447,799</u></u> | <u><u>1,052,115,167</u></u> |

The accompanying notes (1) to (16) 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 (CONTINUED)
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

1. GENERAL INFORMATION

- 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 the 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 2023), 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 along with VAT charges at 15% of transaction.

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

3. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost convention using the accrual basis of accounting and going concern concept except for investments measured at fair value through profit or loss (“FVTPL”) which are recorded at fair value.

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.

5. USE OF JUDGMENTS AND ESTIMATES

The preparation of the financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying

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An open-ended mutual fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

5. USE OF JUDGMENTS AND ESTIMATES

assumptions are reviewed on an ongoing basis. 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. MATERIAL ACCOUNTING POLICIES

The Fund has consistently applied the following accounting policies to all periods presented unless otherwise stated and the material accounting policies applied in the preparation of these financial statements are set out below.

a) *Foreign currency*

Transactions in foreign currencies are translated into SAR at the spot exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into SAR at the closing spot exchange rate at the reporting date. Foreign currency differences arising on translation are recognized in 'foreign exchange gain/loss' in the statement of profit or loss and other comprehensive income, except for those arising on financial instruments at fair value through profit or loss ("FVTPL") which are recognized as a component of 'gain/loss on investments, net'.

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

Net gains or losses on investments includes all realised and unrealised fair value changes and foreign exchange differences.

c) *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.

d) *Management fee*

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

e) *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.

f) *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.

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An open-ended mutual fund
(MANAGED BY JADWA INVESTMENT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

f) *Financial assets and liabilities (continued)*

Financial assets measured 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.

Financial assets measured at 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 assets measured at FVTPL

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

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy 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 realized 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.

JADWA SAUDI RIYAL MURABAHA FUND
An open-ended mutual fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) *Financial assets and liabilities (continued)*

Business model assessment (continued)

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.

Classification of financial liabilities

Financial liabilities are classified as measured at amortised cost unless it has designated liabilities at FVTPL

Recognition and initial measurement

The Fund initially recognizes regular-way transactions in financial assets and financial liabilities at FVTPL 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.

Recognition and initial measurement (continued)

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

Financial assets measured at amortized cost are subsequently measured at amortized cost using effective interest method. Special commission income is recognised in 'special commission income', foreign exchange gains/losses are recognised in 'foreign exchange gain/loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost are subsequently measured at amortised cost using effective interest method. Special commission expense and foreign exchange gains and losses are recognised in the statement of profit or loss and other 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

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An open-ended mutual fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2024
(Amounts in Saudi Arabian Riyals)

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) *Financial assets and liabilities (continued)*

Derecognition (continued)

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.

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.

g) *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 in the principle or, in its absence, the most advantageous market to which the Fund has access at that date.

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.

h) *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.

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6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) 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.

j) Standards, interpretations and amendments thereof, adopted by the Fund

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2024. The Fund Manager has assessed that the amendments have no significant impact on the Fund's financial statements.

Amendments to IAS 1 - *Classification of liabilities as current or non-current and non-current liabilities with covenants*

Amendments to IAS 7 and IFRS 7 - *Supplier finance arrangements*

Amendments to IFRS 16 - *Lease liability in a sale and leaseback transaction*

l) Standards, interpretations and amendments issued but not yet effective

Standards issued but not yet effective are listed below. The Fund intends to adopt these standards when they become effective.

| <i>Standards / Amendments</i> | <i>Description</i> | <i>Effective from periods beginning on or after the following date</i> |
|--------------------------------------|--|---|
| Amendments to IAS 21 | Lack of exchangeability | 1 January 2025 |
| IFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| IFRS 19 | Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Amendments to IFRS 9 and IFRS 7 | Classification and Measurement of Financial Instruments | 1 January 2026 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between investor and its associate or joint venture | Effective date deferred indefinitely |

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7. CASH AND CASH EQUIVALENTS

It represents cash balances and Murabaha placements held with GCC banks. These placements have original maturities of three months or less and carry annual profit rates ranging from 4.50% per annum to 6.40% per annum (2023: 5.50% per annum to 7.10% per annum). As at 31 December 2024, these placements included an accrued profit of SAR 2.5 million (31 December 2023: SAR 13.48 million).

8. INVESTMENTS

| | <i>Notes</i> | 31 December 2024 | 31 December 2023 |
|--|--------------|-----------------------------|---------------------|
| Investment measured at FVTPL: | | | |
| - Units of open-ended mutual fund | | 401,191,939 | -- |
| | | 401,191,939 | -- |
| Investment measured at amortized cost: | | | |
| - Murabaha placements | 8.1 | 1,380,486,702 | 91,117,087 |
| - Accrued special commission income | | 24,357,534 | 2,703,426 |
| | | 1,404,844,236 | 93,820,513 |
| Total | | 1,806,036,175 | 93,820,513 |

8.1 These represents Murabaha placements with GCC financial institutions. These placements have original maturities of more than three months and carry annual profit rates ranging from 5.75% to 6.40% per annum (2023: 5.50% to 7.10% per annum). As at 31 December 2024, these placements included an accrued profit of SAR 24.35 million (31 December 2023: SAR 2.7 million).

8.2 Below are the details of gain on investments measured at FVTPL:

| | 31 December 2024 | 31 December 2023 |
|---|-----------------------------|---------------------|
| Realized gain on investments measured at FVTPL, net | 3,627,546 | 4,149,387 |
| Unrealized gain on investments measured at FVTPL, net | 12,603,063 | -- |
| | 16,230,609 | 4,149,387 |

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.

| Related party | Nature of relationship | Nature of transactions | 31 December 2024 | 31 December 2023 |
|--------------------------|-------------------------------|-------------------------------------|-----------------------------|---------------------|
| Jadwa Investment Company | The Fund Manager | Management fee | 9,555,682 | 9,143,159 |
| The Fund Board | The Fund Board | Meeting fee (Independent member) | 14,667 | 16,000 |

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

| Related party | Nature of relationship | Nature of balance | 31 December 2024 | 31 December 2023 |
|--------------------------|-------------------------------|--------------------------|-------------------------|-------------------------|
| Jadwa Investment Company | The Fund Manager | Management fee payable | 3,532,732 | 1,342,218 |

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:

| 31 December 2024 | Amortized cost | FVTPL |
|--|---------------------------|--------------------|
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 518,447,799 | - |
| Investments | 1,404,844,236 | 401,191,939 |
| Total financial assets | 1,923,292,035 | 401,191,939 |
| <i>Financial liabilities</i> | | |
| Management fee payable | 3,532,732 | -- |
| Accrued expenses and other current liabilities | 364,101 | -- |
| Redemption Payable | 10,500,000 | -- |
| Total financial liabilities | 14,396,833 | -- |
| 31 December 2023 | Amortized cost | FVTPL |
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 1,052,115,167 | -- |
| Investments | 93,820,513 | -- |
| Total financial assets | 1,145,935,680 | -- |
| <i>Financial liabilities</i> | | |
| Management fee payable | 1,342,218 | -- |
| Accrued expenses and other current liabilities | 311,243 | -- |
| Redemption Payable | 29,356,091 | -- |
| Total financial liabilities | 31,009,552 | -- |

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.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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), Omani Riyal (OMR) 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, which are denominated in currencies other than the SAR.

Exposure

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

| <u>Currency</u> | 31 December 2024 | | 31 December 2023 | |
|----------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | SAR | % of net assets (equity) | SAR | % of net assets (equity) |
| Bahraini Dinar (BHD) | 43,909,270 | 1.90 | 41,992,512 | 3.7664 |
| United States Dollar (USD) | 138,209 | 0.01 | 28,045 | 0.0025 |
| Omani Riyal (OMR) | 4,879 | 0.00 | 4,870 | 0.0004 |
| | 44,052,358 | 1.90 | 42,025,427 | 3.7693 |

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 weakened by 0.50% relative to SAR. The analysis assumes that all other variables, in particular commission rates, remain constant.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Market risk (continued)

Effect in amounts of SAR (decrease)

| <u>Currency</u> | 31 December 2024 | 31 December 2023 |
|----------------------------|-----------------------------|---------------------|
| Bahraini Dinar (BHD) | (219,546) | (209,963) |
| United States Dollar (USD) | (691) | (140) |
| Omani Riyal (OMR) | (24) | (24) |
| | <u>(220,261)</u> | <u>(210,127)</u> |

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

| <u>Currency</u> | 31 December 2024 | 31 December 2023 |
|----------------------------|-----------------------------|---------------------|
| Bahraini Dinar (BHD) | -0.009504% | -0.018% |
| United States Dollar (USD) | -0.000030% | -0.000013% |
| Omani Riyal (OMR) | -0.000001% | -0.000002% |
| | <u>-0.009535%</u> | <u>0.018847%</u> |

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

ii) Cash flow and fair value 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 exposed to any material fair value and cashflow commission rate risk on its fixed rate Murabaha placements.

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. As the year end, the Fund is exposed to price risk on its investment in units of a mutual fund.

Exposure

The Fund Manager monitors the concentration risk for investments based on counterparties. The Fund's investment measured at FVTPL is concentrated in the following investment fund.

| <u>Name of investee / security</u> | 31 December 2024 | |
|------------------------------------|-------------------------|--------------------|
| | <u>Cost</u> | <u>Fair value</u> |
| Alpha Murabaha Fund | 388,588,876 | 401,191,939 |
| Total | <u>388,588,876</u> | <u>401,191,939</u> |

**% of Fair
value to total
equity
investment**

**100
100**

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 placements held and cash and cash equivalents. 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 2024 | 31 December <u>2023</u> |
|--------------------------------------|-----------------------------|----------------------------|
| Cash and cash equivalents | 518,447,799 | 1,052,115,167 |
| Investments at amortised cost | 1,404,844,236 | 93,820,513 |
| Total exposure to credit risk | <u>1,923,292,035</u> | <u>1,145,935,680</u> |

Cash and cash equivalents include current account balances held with local bank having short-term credit rating of "F2" and long-term credit rating of "BBB+" respectively.

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 local banks that have credit ratings, as disclosed in Note 7. The Fund considers these to have low credit risk. Accordingly, the expected credit loss allowance has no material impact on these balances.

Allowance for impairment

The Fund has investments in Murabaha 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 credit rating ranges from 'BB-' to 'A-'. 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 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 not being able to meet Unitholders' redemption requests on these days. The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions or liquidation of the investment portfolio. As at 31 December 2024 the remaining contractual maturity of Murabaha placements ranging from 1 month to 5 month. (31 December 2023: 1 month to 9 month)

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.

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11. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Operational risk

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: Inputs other than quoted prices included within level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation.

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 and 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.

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12. FAIR VALUE MEASUREMENT (CONTINUED)

Carrying amounts and fair value (continued)

| Financial assets at fair value | Carrying amount | 31 December 2024 | | | |
|-----------------------------------|--------------------|------------------|--------------------|---------|--------------------|
| | | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | 401,191,939 | -- | 401,191,939 | -- | 401,191,939 |
| Total | 401,191,939 | -- | 401,191,939 | -- | 401,191,939 |

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

Other financial instruments such as cash and cash equivalents, Murabaha placement, 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. CHANGE IN CLASSIFICATION

During the year, the Fund reclassified the value added tax payable on the management fee from accrued expenses and other liabilities to Management Fee Payable for better presentation. Comparative amounts in the statement of financial position and statement of profit or loss and other comprehensive income have been reclassified accordingly to ensure consistency with the current year presentation.

15. LAST VALUATION DAY

The Capital Market Authority (CMA), through its circular dated 10 Rabi Al Thani 1439H (corresponding to 28 December 2017), has approved the Dual NAV approach for investment funds. In accordance with the circular, IFRS 9 will be applied for accounting and reporting purposes and dealing NAV will remain unaffected until further notice.

The last valuation day of the year was 31 December 2024 (2023: 31 December 2023) and in lieu of the above circular from CMA, the dealing net assets (equity) values on this day were Class A: SAR 115.8895 per unit, Class B: SAR 136.1442 per unit and Class C: USD 11.4448 per unit (31 December 2023: Class A: SAR 109.7638 per unit, Class B: SAR 129.3177 per unit and Class C: USD 10.8918 per unit).

The IFRS net assets (equity) values per unit on 31 December 2024 were Class A: SR 109.7638 per unit, Class B: SR 129.3177 per unit and Class C: USD 10.8918 (31 December 2023: Class A: SR 104.5462 per unit, Class B: SAR 123.5349 per unit and Class C: USD 10.3827 per unit). Net assets (equity) per unit as per IFRS and dealing net assets (equity) value per unit remained the same due to immaterial ECL provisions under IFRS 9.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Board on 23 Ramadan 1446H (corresponding to 23 March 2025).