ALINMA ORPHAN CARE ENDOWMENT FUND
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

AND INDEPENDENT AUDITOR'S REPORT

Alluhaid & Alyahya Chartered Accountants
A Limited Liability Company
Paid up capital SR 100,000 - CR:1010468314
Kingdom of Saudi Arabia Riyadh King Fahd Road
Muhammadiyah District, Grand Tower 12 th Floor

INDEPENDENT AUDITOR'S REPORT (continued)
To the Unitholders of Alinma Orphan Care Endowment Fund
(Managed by Alinma Investment Company)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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, 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.

for Alluhaid & Alyahya Chartered Accountants

Saleh Al Yahya
Certified Public Accountant
License No. 473

Riyadh: 17 Ramadan 1445H
(27 March 2024)

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Alinma Orphan Care Endowment Fund
(Managed by Alinma Investment Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 SR	2022 SR
ASSETS			
Bank balance		**743,039**	996,812
Financial assets at fair value through profit or loss ("FVTPL")	5	**16,751,836**	13,487,848
Financial assets at amortized cost	6	**13,083,599**	7,249,030
Advances for acquisition of financial assets at FVTPL		**-**	759,680
TOTAL ASSETS		**30,578,474**	22,493,370
LIABILITIES AND EQUITY			
LIABILITIES			
Accrued expenses and other current liabilities	7	**131,906**	143,174
TOTAL LIABILITIES		**131,906**	143,174
EQUITY			
Net assets attributable to unitholders of redeemable units		**30,446,568**	22,350,196
TOTAL LIABILITIES AND EQUITY		**30,578,474**	22,493,370
Redeemable units in issue (numbers)		**2,295,175**	1,872,435
Net asset value attributable to unit holders (SR)		**13.27**	11.94

The attached notes 1 to 16 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	***2023*** ***SR***	*2022* *SR*
INCOME			
Gain from financial assets at FVTPL		**2,705,792**	559,810
Special commission income		**570,074**	275,623
Dividend income		**339,507**	252,164
TOTAL INCOME		**3,615,373**	1,087,597
OPERATING EXPENSES			
Management fees	8	**(232,862)**	(191,144)
Reversal of (charge for) expected credit loss		**14,529**	(21,381)
Other operating expenses		**(78,513)**	(139,687)
TOTAL OPERATING EXPENSES		**(296,846)**	(352,212)
NET INCOME FOR THE YEAR		**3,318,527**	735,385
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,318,527**	735,385

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	2023 *SR*	*2022* *SR*
OPERATING ACTIVITIES		
Net income for the year	**3,318,527**	735,385
Adjustments for:		
Gain from financial assets at FVTPL	**(2,705,792)**	(559,810)
Special commission income	**(570,074)**	(275,623)
Dividend income	**(339,507)**	(252,164)
(Reversal of) charge for expected credit loss	**(14,529)**	21,381
	(311,375)	(330,831)
Changes in operating assets and liabilities:		
Increase in financial assets at FVTPL	**(558,196)**	(1,701,717)
Increase in financial assets at amortized cost	**(5,857,724)**	(3,184,119)
Decrease (increase) in advances for acquisition of financial assets at FVTPL	**759,680**	(561,630)
(Decrease) increase in accrued expenses and other current liabilities	**(11,268)**	28,335
	(5,978,883)	(5,749,962)
Dividends received	**339,507**	252,164
Special commission income received	**607,758**	313,307
Net cash flows used in operating activities	**(5,031,618)**	(5,184,491)
FINANCING ACTIVITIES		
Proceeds from issuance of units	**5,300,877**	6,179,674
Distributions to beneficiary (note 11)	**(523,032)**	(355,979)
Net cash flows from financing activities	**4,777,845**	5,823,695
NET (DECREASE) INCREASE IN BANK BALANCE	**(253,773)**	639,204
Bank balance at beginning of the year	**996,812**	357,608
BANK BALANCE AT END OF THE YEAR	**743,039**	996,812

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	2023 *SR*	*2022* *SR*
EQUITY AT THE BEGINNING OF THE YEAR	**22,350,196**	15,791,116
Comprehensive income:		
Net income for the year	**3,318,527**	735,385
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**3,318,527**	735,385
Distributions to beneficiary (note 11)	**(523,032)**	(355,979)
	25,145,691	16,170,522
CHANGE FROM UNIT TRANSACTIONS		
Proceeds from issuance of units	**5,300,877**	6,179,674
Net change from unit transactions	**5,300,877**	6,179,674
EQUITY AT THE END OF THE YEAR	**30,446,568**	22,350,196

REDEEMABLE UNIT TRANSACTIONS

Transactions in redeemable units for the year are summarised as follows:

	2023 *Units*	*2022* *Units*
UNITS AT THE BEGINNING OF THE YEAR	**1,872,435**	1,349,470
Units issued during the year	**422,740**	522,965
UNITS AT THE END OF THE YEAR	**2,295,175**	1,872,435

The attached notes 1 to 16 form an integral part of these financial statements

1 INCORPORATION AND ACTIVITIES

Alinma Orphan Care Endowment Fund, (the "Fund"), is an open-ended public fund created under an agreement between Alinma Investment Company (the "Fund Manager"), a subsidiary of Alinma Bank (the "Bank"), and "Ekhaa Charity" operating under Charitable Foundation for Orphan's Care (the "Beneficiary"), in accordance with Shariah rules issued by the Shariah Board of the Fund Manager.

The Fund aims to enhance the developmental role of private endowments in supporting care for orphans, by developing the endowed assets and investing them in a way that achieves the principal of social solidarity. The Fund Manager will invest in the financial assets and distribute a percentage of the proceeds (endowment yields) on a periodic basis to the endowment distribution channel specified by the Fund (Charity Orphans Care Foundation). The beneficiary is committed to elevating the level of service and care provided to orphans.

Capital Market Authority ("CMA") granted approval for the establishment of the Fund in its letter number 19/528/5/3 dated 17 Jumada Alawwal 1440H (corresponding to 23 January 2019). The Fund commenced its operations on 11 Dhul-Qa'dah 1440H (corresponding to 14 July 2019). The Fund has also obtained approval from General Authority of Awqaf through its letter number 40900305 dated 1 Jumada Alawwal 1440H (corresponding to 7 January 2019) for raising public subscription for endowments.

The Fund is managed by Alinma Investment Company (the "Fund Manager"), a closed joint stock company with commercial registration number 1010269764, licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 09134-37.

Inmaa Riaya limited Company, a limited liability company with commercial registration number 1010568504, has been established and approved by CMA as a special purpose vehicle ("SPV") for the beneficial interests of the Fund.

The Fund has appointed NOMW Capital Company for Financial Consultant (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund. The Custodian owns 99% of the shares in the SPV and 1% is held by the Fund Manager.

2 REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the CMA detailing requirements for all Investment Funds within the Kingdom of Saudi Arabia.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by the Saudi Organization for Chartered and Professional Accountants, (collectively hereafter referred to as IFRS as endorsed in the Kingdom of Saudi Arabia).

The financial statements have been prepared under the historical cost convention using the accrual basis of accounting except for financial assets held at FVTPL which are measured at fair value.

The Fund Manager has prepared the financial statements on the basis that it will continue to operate as a going concern.

The Fund presents its statement of financial position in order of liquidity based on the Fund Manager's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 10.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 *Standards and amendments to existing standards effective from 1 January 2023*

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the financial statements of the Fund.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no impact on the financial statements of the Fund.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. .

The amendments have had an impact on the Fund's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Fund's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

These amendments had no impact on the financial statements of the Fund.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the consolidated financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

These amendments had no impact on the financial statements of the Fund.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards / amendments to standards / interpretations	*Effective date*
Amendments to IFRS 16: Lease Liability in a Sale-and-Leaseback	1 January 2024
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Supplier Finance Agreements – Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of exchangeability – Amendments to IAS 21	1 January 2025

3.4 Foreign currency translation

a) Functional and presentation currency
These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Fund's functional and presentation currency. All financial information presented has been rounded to the nearest SR.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and Murabaha deposits, if any, with an original maturity of three months or less.

3.6 Financial Instruments - Initial recognition and subsequent measurement

A financial instruments is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the Fund executes purchase or sale of the assets). Regular way purchase or sale of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

Financial assets and liabilities (including assets and liabilities designated at fair value through income statement) are initially recognized on trade date at which the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. For all other financial assets and financial liabilities transaction costs are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Financial Instruments - Initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss

Financial assets held for trading
In applying that classification, a financial asset is considered to be held for trading if:

(a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

(b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or

(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Held-for-trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Financial assets measured at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes bank balance, and or includes Murabaha deposits, Sukuks and special commission income.

Financial assets measured at fair value through profit or loss ("FVTPL")
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments and investment in mutual funds which the Fund had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised in the statement of profit or loss when the right of payment has been established.

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

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Financial Instruments - Initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment
The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1');
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2'); and
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Fund's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses are recognized for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

For financial assets at amortised costs, the Fund applies the low credit risk simplification. At every reporting date, the Fund evaluates whether the financial assets at amortised cost is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Fund reassesses the credit rating of the financial asset at amortised cost. In addition, the Fund considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Fund's financial assets at amortised cost comprise of bank balance, Murabaha deposits, Sukuks and other receivables. It is the Fund's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Fund uses the ratings from the *credit rating agency* both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

ii) Financial liabilities

Initial recognition and measurement
The Fund's financial liabilities include redemption payable, management and administration fees payable and other liabilities. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified at amortised cost:

Financial liabilities at amortised cost
This category includes all financial liabilities, other than those measured at fair value through profit or loss. This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to management and administration fees payable and other current liabilities.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Financial Instruments - Initial recognition and subsequent measurement (continued)

iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

3.7 Fair value measurement

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet date.

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

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

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

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

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

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

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

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 9.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Redeemable units
Redeemable units are classified as equity instruments when:

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

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

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

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

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. No gain or loss is recognised in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments

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

3.10 Management fees, custodian fees and other expenses
Management fees, administration fees, custodian fess and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund.

3.11 Zakat and income tax
Fund is not liable to pay any zakat or income tax which are considered to be the obligation of the Unitholders and are as such not provided in the accompanying financial statements.

3.12 Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the amount can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts and taxes.

Special commission income on Sukuk and Murabaha deposits, is calculated using the effective yield basis and is recognized in the statement of profit or loss. Finance income is calculated by applying the effective commission rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset i.e., after deduction of the loss allowance.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Revenue recognition (continued)

Gain on disposal of financial assets at FVTPL sold are determined on a weighted average cost basis.

Unrealised gains and losses comprise changes in the fair value of financial assets at FVTPL for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting year.

Dividend income is recognized in the statement of profit or loss when declared (i.e., when the Fund's right to receive the dividend is established).

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Going concern

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

Impairment of financial instruments

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values for portfolio financing, when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

i) Determining criteria for significant increase in credit risk;
ii) Choosing appropriate models and assumptions for the measurement of ECL;
iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associated ECL; and
iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value measurement

The Fund measures its investments in equity instruments and mutual funds at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Fund measures financial instruments at fair value at each statement of financial position date. The Fund holds listed equity investments, public and private funds which are fair valued using the market price and net assets value, respectively as of the reporting date. Fair values of those financial instruments are disclosed in note 5.

5 FINANCIAL ASSETS AT FVTPL

Financial assets classified at FVTPL comprised of investments as detailed below and registered in the Kingdom of Saudi Arabia, public and private mutual funds.

	31 December 2023		*31 December 2022*	
	Cost (SR)	***Market value (SR)***	*Cost (SR)*	*Market value (SR)*
Discretionary equity portfolio (i)	**5,227,276**	**11,078,867**	8,016,076	7,743,566
Real Estate Investment Trusts (REITs)	**1,531,671**	**2,627,663**	2,276,517	2,055,939
Private funds	**2,062,666**	**2,073,436**	2,218,453	2,224,660
Public fund	**941,294**	**971,870**	1,457,149	1,463,683
	9,762,907	**16,751,836**	13,968,195	13,487,848

(i) This represents amount invested in a discretionary portfolio which is comprised of equities listed on Tadawul.

6 FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2023 SR	*31 December 2022 SR*
Sukuks (i)	**7,901,412**	3,903,007
Murabaha deposit (ii)	**4,885,885**	3,230,000
Accrued special commission income	**303,149**	137,326
	13,090,446	7,270,333
Less: Allowance for expected credit loss ("ECL") (note 6.1)	**(6,847)**	(21,303)
	13,083,599	7,249,030

(i) This represents Sukuks issued by a counterparties operating in Kingdom of Saudi Arabia, with original maturities between 2 to 49 years, and carries an average special commission income rate of 5.37% per annum (31 December 2022: 5.37% per annum).

(ii) This represents Murabaha deposits placed with investment companies operating in Kingdom of Saudi Arabia and other GCC countries with original maturity within 1 year and carries an average special commission income rate of 6.55% per annum (31 December 2022: 5.75% per annum).

6.1 Allowance for expected credit loss

The movement in allowance of ECL on financial assets at amortised cost during the year is as follows:

	31 December 2023 SR	*31 December 2022 SR*
Balance at the beginning of the year	**21,303**	-
(Reversal of) charge for allowance for ECL	**(14,456)**	21,303
	6,847	21,303

7 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2023 SR	*31 December 2022 SR*
Accrued custody fee	**31,146**	15,972
Accrued management fee (note 8)	**19,224**	28,283
Other accruals and other liabilities (i)	**81,536**	98,919
	131,906	143,174

(i) Other accruals and other liabilities mainly include payable in respect of professional fees, board remuneration fees and shariah advisory fees.

8 TRANSACTIONS WITH RELATED PARTIES

In ordinary course of activities, the Fund transacts business with related parties. The related party transactions are governed by limit set by the terms and conditions. All related party transactions are disclosed to the Fund Board of Director.

Related parties of the Fund include the Fund Manager, the Bank, entities related to the Bank and the Fund Manager and any party that has the ability to control other party or exercise significant influence over the party in making financial or operational decisions.

a) Management fees
The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager charges management fee at the annual rate of 0.75% that are calculated twice a week based on the net assets value of the Fund.

b) Brokerage expense
The Fund Manager charges 0.0015% brokerage fees on the purchase and sales transactions of financial assets at FVTPL.

c) Board of Directors remuneration
The independent directors are entitled to remuneration for their services at rates determined by the Fund's terms and conditions in respect of attending meetings of the board of directors. Independent director's fees are currently SR 20,000 per meeting.

8.1 Related party transactions

The following are the details of the significant transactions with related parties during the year:

Name of related party	*Nature of relationship*	*Nature of transaction*	***31 December 2023 SR***	*31 December 2022 SR*
Alinma Investment Company	Fund Manager	Management fees	**(232,862)**	(191,144)
		Brokerage fee	**-**	(11,320)
		Special commission on Murabaha deposits	**144,228**	50,458
Fund Board	Board Members	Fund Board fee	**(40,000)**	(40,000)

8.2 Related party balances

Year end balances receivable (payable) arising from transactions with related parties are as follows:

Name of related party	*Nature of relationship*	*Nature of balances*	***31 December 2023 SR***	*31 December 2022 SR*
Alinma Investment Company	Fund Manager	Management fees payable	**(19,224)**	(28,283)
		Murabaha deposits	**7,045,640**	2,250,043
Fund Board	Board Members	Fund Board fee	**(36,738)**	(36,738)

(i) As at 31 December 2023, Alinma Bank held 100,000 units (31 December 2022: 100,000 units) of the Fund.

9 FINANCIAL RISK MANAGEMENT

9.1 FINANCIAL RISK FACTORS

The Fund's activities are exposed to variety of financial risks such as: market risk, credit risk and liquidity risk. The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The Fund Manager has in place policies and procedures to identify risks affecting the Fund's investments and to ensure that such risks are addressed as soon as possible, which include conducting a risk assessment at least once a year.

The Fund Manager also applies a prudent spread of risk while taking into consideration the Fund's investment policies and the terms and conditions. Furthermore, the Fund Manager shall make every effort to ensure that sufficient liquidity is available to meet any anticipated recovery request. The Board of the Fund plays a role in ensuring that the Fund Manager fulfils its responsibilities to the benefit of the unitholders in accordance with the provisions of the Investment Funds Regulations and the terms and conditions of the Fund.

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

9.1.1 Market risk

a) Special commission rate risk
Special commission rate risk arises from the possibility that changes in market special commission rates will affect future profitability or the fair value of the financial instruments. The Fund is subject to special commission rate risk on its special commission bearing assets.

The following table demonstrates the sensitivity to a reasonably possible change in special commission income on financial instruments affected with all other variables held constant. There is no sensitivity effect on other comprehensive income (OCI) as the Fund has no assets designated as fair value through other comprehensive income or hedging instruments. In practice, the actual trading results may differ from the below sensitivity analysis and the difference could be significant.

	Impact on profit or loss	
	31 December 2023	*31 December 2022*
	SR	*SR*
Change in profit rate:		
1% increase	**1,308,360**	724,911
1% decrease	**(1,308,360)**	(724,911)

The Fund Manager seeks to limit its special commission risk by monitoring it's financial assets at amortised cost.

b) Currency risk
Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's management believe that there is a minimal risk of significant losses due to exchange rate fluctuation as the majority of monetary assets and liabilities are in Saudi Riyals. Further, the Fund's foreign currency transactions are primarily in GCC currencies, which does not have major fluctuations, hence the impact of foreign exchange gains and losses are not significant.

9 FINANCIAL RISK MANAGEMENT (continued)
9.1 FINANCIAL RISK FACTORS (continued)

c) Price risk
Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments listed on stock exchange. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

Sensitivity analysis
The Fund's financial assets at FVTPL are subject to price risk. According to the Fund's management, the effect on the statement of comprehensive income as a result of a change in fair value of equity instruments due to a reasonable possible change in equity indices and net assets value of the mutual fund, with all other variables held constant is as follows:

	31 December 2023 SR	*31 December 2022 SR*
5% increase	**873,149**	674,392
5% decrease	**(873,149)**	(674,392)

9.1.2 Liquidity risk
Liquidity risk is the risk that the Fund will encounter difficulty in realizing funds to meet commitments associated with financial liabilities.

The Fund's terms and conditions provide for subscriptions and redemptions of units throughout the week and the Fund is therefore, exposed to the liquidity risk of not meeting unitholder redemptions. The Fund's securities are considered to be readily realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date.

9.1.3 Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund does not have a formal internal grading mechanism.

Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

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

	31 December 2023 SR	*31 December 2022 SR*
Financial assets at amortized cost	**13,083,599**	7,249,030
Bank Balance	**743,039**	996,812
Advances for acquisition of financial assets at FVTPL	**-**	759,680
	13,826,638	9,005,522

9 FINANCIAL RISK MANAGEMENT (continued)

9.1.3 Credit risk (continued)

The Fund's bank balance is held with the Bank, having sound credit ratings as at reporting date. The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. The ECL disclosure is included in note 6.

9.2 CAPITAL RISK MANAGEMENT

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net asset attributable to holders of redeemable units can change significantly on each valuation day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every valuation day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong net asset base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate.

The Fund Board and the Fund Manager monitor capital on the basis of the value of net assets attributable to redeemable unitholders.

9.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 recognised in the statement of financial position.

As at 31 December 2023	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
Financial assets at FVTPL	**13,706,530**	**3,045,306**	-	**16,751,836**
As at 31 December 2022				
Financial assets at FVTPL	9,799,505	3,688,343	-	13,487,848

The value of financial assets at FVTPL amounting to SR 13,706,530 (31 December 2022: SR 9,799,905) are based on quoted market prices listed in Tadawul and are therefore classified within Level 1 of the fair value hierarchy.

The value of financial assets at FVTPL amounting to SR 3,045,306 (31 December 2022: SR 3,688,343) are based on the net assets value of the mutual fund and therefore classified within Level 2 of the fair value hierarchy.

Management believes that the fair value of all other financial assets and liabilities are classified at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. These are all classified within level 2 of the fair value hierarchy. There were no transfers between various levels of fair value hierarchy during the current year or prior year.

10 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

As at 31 December 2023	*Within 12 months (SR)*	*After 12 months (SR)*	*Total SR*
ASSETS			
Bank balance	**743,039**	-	**743,039**
Financial assets at FVTPL	**16,751,836**	-	**16,751,836**
Financial assets at amortized cost	**5,182,187**	**7,901,412**	**13,083,599**
TOTAL ASSETS	**22,677,062**	**7,901,412**	**30,578,474**
LIABILITIES			
Accrued expenses and other current liabilities	**131,906**	-	**131,906**
TOTAL LIABILITIES	**131,906**	**-**	**131,906**
As at 31 December 2022			
ASSETS			
Bank Balance	996,812	-	996,812
Financial assets at FVTPL	13,487,848	-	13,487,848
Financial assets at amortized cost	3,280,911	3,968,119	7,249,030
Advances for acquisition of financial assets at FVTPL	759,680	-	759,680
TOTAL ASSETS	18,525,251	3,968,119	22,493,370
LIABILITIES			
Accrued expenses and other current liabilities	143,174	-	143,174
TOTAL LIABILITIES	143,174	-	143,174

11 DISTRIBUTION TO BENEFICIARY

During the year, the Fund's Board of Directors approved distributions amounting to SR 523,032 (For the year ending 31 December 2022: SR 355,979).

12 CONTINGENCIES

There are no contingencies as at the reporting date.

13 ZAKAT AND INCOME TAX

The Ministry of Finance has issued a resolution ("MR") numbered 29791, dated 9th Jumada Al-Awwal 1444 H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority ("ZATCA") commencing 1 January 2023. The filing with ZATCA is due by 30 April 2024.

14 LAST VALUATION DAY

The last valuation day for the purpose of the preparation of these financial statements is 31 December 2023 (2022: 31 December 2022).

15 SUBSEQUENT EVENTS

There were no events subsequent to the reporting date which require adjustments of or disclosure in the financial statements or notes thereto.

16 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 17 Ramadan 1445H (corresponding to 27 March 2024).