

**Artal Murabaha Fund**  
**(Money Markets Instrument Fund - Public Fund - Open ended)**  
**(Managed by Artal Capital Company)**  
**Financial Statements**  
**For the period from 24 January 2023 to 31 December 2023**  
**together with the**  
**Independent Auditor's Report to the Unitholders**

**Artal Murabaha Fund**  
**(Managed by Artal Capital Company)**  
**FINANCIAL STATEMENTS**  
**For the period from 24 January 2023 to 31 December 2023**

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## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ARTAL MURABAHA FUND  
[MANAGED BY ARTAL CAPITAL COMPANY]

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of artal Murabaha Fund (the "Fund") managed by Artal capital company (the "Fund Manager") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Fund, which comprise of the following:

- ❖ The statement of financial position as at 31 December 2023;
- ❖ The statement of comprehensive income for the year then ended;
- ❖ The statement of Changes in net assets (Equity) attributable to the unitsholders for the year then ended;
- ❖ The statement of cash flows for the year then ended, and;
- ❖ The notes to the financial statements, comprising summary of material accounting policies.

### 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 code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the Fund's Term's and conditions and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations or has no realistic alternative but to do so.

Those charged with governance, are responsible for overseeing the Fund's financial reporting process.

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## INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ARTAL MURABAHA FUND  
[MANAGED BY ARTAL CAPITAL COMPANY]

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RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### 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 misstatements, 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 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 International Standards on Auditing 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 risk 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 by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and
- 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.

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**PKF**Ibrahim Ahmed Al-Bassam  
& Co. Certified Public Accountants**INDEPENDENT AUDITOR'S REPORT****TO THE UNITHOLDERS OF ARTAL MURABAHA FUND  
[MANAGED BY ARTAL CAPITAL COMPANY]**

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**RIYADH, KINGDOM OF SAUDI ARABIA****REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)**

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 Al-Bassam & Co.**

Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 21 Ramadan 1445 H  
Corresponding to: 31 March 2024 G

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**Artal Murabaha Fund**  
**(Managed by Artal Capital Company)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2023**  
*(Amounts in Saudi Arabian Riyals)*

	<u>Notes</u>	<u>31 December 2023</u>
<b>Assets</b>		
Cash and cash equivalents	5,11	70,182,838
Investment carried at amortized cost – Murabaha Deposits	6,11	<u>298,779,487</u>
<b>Total assets</b>		<u>368,962,325</u>
<b>Liabilities</b>		
Management fees payable	8	11,740
Accrued expenses and other liabilities	10	<u>143,525</u>
<b>Total liabilities</b>		<u>155,266</u>
<b>Net assets (equity) attributable to the Unit holders</b>		<u><u>368,807,059</u></u>
<b>Units in issue (in numbers)</b>	7	35,015,936
Class A		11,154,879
Class B		23,861,057
<b>Net assets (Equity) value per unit</b>		
Class A		10.5291
Class B		10.5342

The accompanying notes (1) to (14) are an integral part of these financial statements.

**Artal Murabaha Fund**  
**(Managed by Artal Capital Company)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**As at 31 December 2023**  
*(Amounts in Saudi Arabian Riyals)*

	<u>Notes</u>	<b>For the period from 24 January 2023 to 31 December 2023</b>
<b>Income</b>		
Special Commission income from Murabaha Deposits		<b>21,789,174</b>
		<b>21,789,174</b>
<b>Expenses</b>		
Management fees	8	<b>(47,053)</b>
Other expenses	9	<b>(547,568)</b>
<b>Total expenses</b>		<b>(594,622)</b>
<b>Net income for the period</b>		<b>21,194,552</b>
Other comprehensive income for the period		<b>-</b>
<b>Total comprehensive income for the period</b>		<b>21,194,552</b>

The accompanying notes (1) to (14) are an integral part of these financial statements.

**Artal Murabaha Fund**  
**(Managed by Artal Capital Company)**  
**STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE**  
**UNITHOLDERS**  
**For the period from 24 January 2023 to 31 December 2023**  
*(Amounts in Saudi Arabian Riyals)*

	<b>For the period from 24 January 2023 to 31 December 2023</b>
Net assets (Equity) attributable to the Unit holders at beginning of the period	-
Total comprehensive income for the period	21,194,552
<b>Contributions and redemptions by the unitholders</b>	
Issuance of units	1,216,293,472
Redemption of units	(868,680,965)
<b>Net changes from unit transactions</b>	347,612,507
Net assets (equity) attributable to the Unitholders at the end of the period	<b>368,807,059</b>

The accompanying notes (1) to (14) are an integral part of these financial statements.



**Artal Murabaha Fund**  
**(Managed by Artal Capital Company)**  
**STATEMENT OF CASH FLOWS**  
**For the period from 24 January 2023 to 31 December 2023**  
*(Amounts in Saudi Arabian Riyals)*

	<u>Notes</u>	<u>For the period from 24 January 2023 to 31 December 2023</u>
<b>Cash flows from operating activities</b>		
Net income for the period		21,194,552
<i>Adjustments for:</i>		
Murabaha Deposits Interest Income		<u>(21,785,264)</u>
		(590,712)
<b>Net changes in operating assets and liabilities:</b>		
Purchase of investments	6	(3,532,459,683)
Proceeds from sale of investments	6	3,173,357,979
Accrued expenses and other liabilities		143,526
Management fees payable		11,740
Profit receivable - Murabaha		<u>12,000,384</u>
<b>Net cash used in operating activity</b>		<u>(347,536,766)</u>
<b>Cash flows from financing activities</b>		
Issuance of units		1,216,293,472
Redemption of units		<u>(868,680,965)</u>
<b>Net cash from financing activities</b>		<u>347,612,507</u>
<b>Net increase in cash and cash equivalents</b>	5	75,741
Cash and cash equivalents at beginning of the period		<u>-</u>
<b>Cash and cash equivalents at end of the period</b>	5	<u>75,741</u>

The accompanying notes (1) to (14) from an integral part of these financial statements.

## **Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

## **1. FUND AND ITS ACTIVITIES**

Artal Murabaha Fund (the “Fund”) a Money Markets Instrument Fund - Public Fund - Open ended established in the Kingdom of Saudi Arabia under the Investment Funds Regulations and is compliant with Shari’a principles. The Fund commenced its operations on 24 January 2023.

The Fund is managed by Artal Capital Company (the “Fund Manager”), a closed Joint Stock Company organized and existing under the laws of the Kingdom of Saudi Arabia, with commercial registration number 1010501601, and licensed as a Capital Market Institution by the Saudi Arabian Capital Market Authority under license no. 18195-02.

The main investment objective of the Fund to achieve investment returns with low risks for the Fund's unit holders in order to preserve capital and provide liquidity through investing in money markets and other transactions in financial instruments that are compatible with the Sharia controls approved by the Sharia Supervisory Committee.

The Fund has appointed Albilad Capital (the “Custodian”), a Joint stock company organized and existing under the laws of the Kingdom of Saudi Arabia with commercial registration number 1010240489, dated 11/11/1428H, and licensed as a Capital Market Institution by the Saudi Arabia Capital Market Authority under license no. 08100-37 dated 2/4/1429H.

The terms and conditions of the Fund were approved by CMA on 14 Jumada Al Awwal 1444 H (corresponding to 8 December 2022).

On February 28, 2023, the name of the fund was changed from VCP Murabaha Fund to Artal Murabaha Fund.

The financial statements for the period from 24 January, 2023 to 31 December, 2023 are the initial statements of the Fund.

## **2. REGULATORY AUTHORITY**

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by the Capital Market Authority (“CMA”).

## **3. BASIS OF PREPARATION**

### **3.1 Statement of compliance**

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

### **3.2 Basis of measurement**

These financial statements have been prepared on a historical cost basis.

## **Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

## **3. BASIS OF PREPARATION (CONTINUED)**

### **3.3 Functional and presentation currency**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in Saudi Arabian Riyals (SAR) which is the Fund’s functional and presentation currency.

### **3.4 Critical accounting judgments, estimates and assumption**

The preparation of these financial statements requires management 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund’s accounting policies, management has made the following estimate and judgment which is significant to financial statements.

### **3.5 Going Concern**

The Fund Manager has assessed the Fund’s ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund’s ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

## **4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are Explained below:

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash in current accounts held with a local bank. Cash and cash equivalents are measured at amortized cost in the statement of financial position.

### **Financial instruments**

#### **Initial recognition and measurement**

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL), if any, is recognized for financial assets measured at amortized cost, as described in Note 3.2, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

## **Artal Murabaha Fund**

An open-ended Investment Fund

(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Financial instruments (Continued)**

##### **Classification and measurement of financial assets**

###### ***Classification of financial assets***

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

###### **Financial asset at amortized cost**

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

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

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

A financial asset is measured at 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 principal and interest on the principal amount outstanding.

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

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

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

The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at fair value through profit or loss.

The classification requirements for debt instruments are described below.

###### **Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund classifies its equity instruments at fair value through profit or loss (FVTPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

## **Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Financial instruments (Continued)**

###### **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where 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 the Fund has:

- Transferred substantially all of the risks and rewards of the asset or
- 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 right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognizing to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognizes a financial liability when the obligation under the liability is discharged, cancelled or expired.

###### **Impairment of financial assets**

The Fund recognizes loss allowances for ECL on financial assets measured at amortized cost and debt investments measured at FVOCI.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

###### **Financial liabilities**

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

###### **Trade date accounting**

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

###### **Offsetting of 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 recognized amounts and there is an intention to settle on a net basis, or to realize 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.

## **Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Redeemable Units**

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets (equity) 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 holder's rights to a pro rata share of the Fund's net assets (equity).
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) 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 recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) 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 recognized in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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

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

##### **Accrued expenses and other payables**

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission rate method.

##### **investment transactions**

Investment transactions are recognized on a trade date basis.

##### **Management fees and other expenses**

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the Fund. Management fees are calculated on a daily basis based on the net asset value of the fund and are deducted monthly as below:

Class	Percentage
A	0.5%
B	0.0%

(1) The fund manager has been charging a management fee for less than 0.50%.

## **Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Zakat**

zakat is the obligation of the unitholders and therefore, no provision for such liability is made in these financial statements.

##### **Net asset value**

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

##### **Dividend income**

Dividend income, if any is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income in a separate line item.

##### **Revenue recognition**

Revenue is recognized when it is probable that the economic benefits will flow to the fund and the revenue can be measured reliably, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration expected to be received, excluding discounts, taxes and withholdings.

##### **Provision**

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

##### **Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss ("FVTPL")**

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

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

#### **4.1 New standards, interpretations and amendments**

There are new standards, amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

**Artal Murabaha Fund**

An open-ended Investment Fund  
(Managed by Artal Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS**

**For the period from 24 January 2023 to 31 December 2023**

*(Amounts in Saudi Arabian Riyals)*

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****4.1.1 New standards, amendments to standards and interpretations**Amendments

A number of new amendments to standards, enlisted below, are effective this period but they do not have a material effect on the Fund's Financial Statements, except for where referenced below.

**New amendments to standards issued and applied effective January 1, 2023**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations



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**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****4.1.2 New standards, amendments and revised IFRS issued but not yet effective**

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IFRS 10 and IAS 28	Amendments to IFRS 10 and IAS 28	Deferred indefinitely	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

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Cash at bank	75,741
Deposits Murabaha - Maturity within 3 months (Disclose No. 6)*	70,107,097
	<u>70,182,838</u>

\* These Deposits Murabaha have an original maturity of 3 months or less from the date of placements and carry special commission rate of 5.50% - 5.85% per annum.

**6. INVESTMENTS CARRIED AT AMORTIZED COST – MURABAHA DEPOSITS****As at 31 December 2023**

Al Rajhi Bank	29,328,884
Qatar National Bank	80,920,995
Gulf International Bank	31,571,236
Al Jazeera Bank	30,034,125
Saudi investment bank	23,819,357
Arab National Bank	8,108,642
Bank ABC-Bahrain	88,694,058
Riyadh Bank	66,376,878
NBK Wealth Management	10,032,410
	<u>368,886,584</u>

**As at 31 December 2023**

Maturity within 3 months (Disclose No. 5)*	70,107,097
Maturity within 3 – 12 months	298,779,487
	<u>368,886,584</u>

\* Murabaha deposits due within a period of less than three months have been classified in cash and cash equivalents in the statement of financial position.

6.1 The rate of profit on Murabaha deposits ranges from 5.50% to 6.37% per annum and all the Murabaha deposits will be matured within a period of less than 12 months.

6.2 The following table represents the movement of investments in Murabaha placements measured at amortized cost during the period:

**31 December 2023**

Carrying amount as at 24 January	-
Additions during the period	3,530,019,683
Matured during the period	(3,170,917,979)

Murabaha profit recognized during the period	(21,780,134)
Murabaha profit received during the period	11,995,277

Accrual Interest during the period	9,784,880
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Carrying amount as at the period end	<u>359,101,727</u>
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**7. UNIT TRANSACTIONS**

The following represents the subscriptions paid and committed as at:

	<b>31 December 2023</b>
	<i>(Units in numbers)</i>
<b>Units at the beginning of the period</b>	-
Units issued during the period	<b>118,815,383</b>
Units redeemed during the period	<b>(83,799,447)</b>
Net change in units	<b>35,015,936</b>
<b>Units at the end of the period</b>	<b>35,015,936</b>

The fund manager may issue an unlimited number of units in the fund in accordance with the terms and conditions of the fund. Each unit represents a common share in the Fund's assets.

1. Class A for public unitholders.
2. Class B are the portfolios/funds managed by the fund manager and the employees of the fund manager.

	<b>31 December 2023</b>	
	<i>(Units in numbers)</i>	<i>Amounts</i>
<b>Class A</b>		
Subscription	<b>15,987,903</b>	<b>163,148,441</b>
Redemption	<b>(4,833,024)</b>	<b>(49,699,318)</b>
	<b>11,154,879</b>	<b>113,449,123</b>
<b>Class B</b>		
Subscription	<b>102,827,480</b>	<b>1,053,145,031</b>
Redemption	<b>(78,966,423)</b>	<b>(818,981,647)</b>
	<b>23,861,057</b>	<b>234,163,384</b>
	<b>35,015,936</b>	<b>347,612,507</b>

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

The related parties of the Fund include the Fund Manager and other funds managed by the Fund Manager. In the ordinary course of its activities, the Fund transacts business with the Fund Manager. In addition to transactions disclosed elsewhere in these financial statements, the Fund entered into the following transactions with the related parties during the period.

These transactions were carried out on the basis of approved terms and conditions of the Fund:

<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transactions</b>	<b>For the period from 24 January 2023 to 31 December 2023</b>
Artal Capital	The Fund Manager	Management fees	<b>47,053</b>
Artal Capital	Board of Directors	Director's fees	<b>18,400</b>

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**8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

Balances arising from above transaction with related party is as follows:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of balances</u>	<u>As at 31 December 2023</u>
Artal Capital	The Fund Manager	Management fees payable	11,740
Board of Directors	Board of Directors	Director's fees payable*	18,400

\* Those Balances were mapped to "ACCRUED EXPENSES AND OTHER LIABILITIES" Accounts.

**9. OTHER EXPENSES**

		<b>For the period from 24 January 2023 to 31 December 2023</b>
	Note	
Administration fees *	8	269,834
Director's fees	8	18,400
Audit fees		34,500
Custodian fees**	8	63,781
Shariah Board fees		11,500
Accounting fees		21,563
Other expenses		127,991
		<u>547,568</u>

\*Amounts paid to AlBilad Capital as administrator fees.

\*\*Amounts paid to AlBilad Capital as Custodian fees.

**10. ACCRUED EXPENSES AND OTHER LIABILITIES**

		<b>As at 31 December 2023</b>
	Note	
Administration fees payable	8	65,023
Audit fee payable		20,700
Directors fee payable	8	18,400
Custodian fees payable	8	15,258
Shariah Advisory Fee payable		11,500
Accounting Fee Payable		9,051
Other liabilities		3,594
		<u>143,525</u>

**11. FINANCIAL INSTRUMENTS BY CATEGORY**

	<u>Amortized cost</u>	<u>FVTPL</u>
<b>31 December 2023</b>		
<i>Financial assets</i>		
Cash and cash equivalents	70,182,838	-
Investments carried at amortized cost – Murabaha	298,779,487	-
<b>Total assets</b>	<u>368,962,325</u>	<u>-</u>

## **Artal Murabaha Fund**

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## **12. FINANCIAL RISK MANAGEMENT**

### **12.1 Financial risk factors**

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its Unit Holders and to ensure reasonable safety to the Unit Holders.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks are primarily set up to be performed based on the limits established by the Fund manager. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

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**

##### **(i) Foreign exchange risk**

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund does not have any foreign exchange risk since all of its transactions are carried out in SAR.

##### **(ii) Commission rate risk**

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund's investments in Murabaha are fixed rate financial instruments, hence, the Fund is exposed to commission rate risk, however the Murabaha placements are of short term and significant portfolio will be matured within a period of one year. Accordingly, the Fund is not exposed to material commission rate risk.

##### **(iii) 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 financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, Fund has equity investments.

#### **(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

It is the Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its cash and cash equivalents and investments carried at amortized cost. Bank balances are placed with reputable financial institutions; hence the credit risk is minimal.

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The credit quality of the Fund's bank balance and investments carried at amortized cost is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances and investments carried at amortized cost along with credit ratings are tabulated below:

The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies. As at 31 December 2023, the Fund has investments measured at amortized cost with the following credit quality:

	<b>31 December 2023</b>
<b>Rating of financial institution</b>	
<b>Cash at Bank</b>	
A3 (Moody's)	<b>75,741</b>
	<b>75,741</b>
<b>Murabaha placements</b>	
A1 (Moody's)	39,361,293
A2 (Moody's)	74,485,494
A3 (Moody's)	23,819,356
Aa3 (Moody's)	80,920,995
Baa1 (Moody's)	61,605,388
BBB- (S&P)	88,694,058
	<b>368,886,584</b>

**(c) Liquidity risk**

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

The Fund's investments are considered to be readily realizable. The Fund Manager monitors the liquidity requirements on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

All financial liabilities are due within a period of less than one year.

**(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.

**Fair value estimation**

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

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**12. FINANCIAL RISK MANAGEMENT (CONTINUED)****Fair value estimation (Continued)**

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of the reporting period during which the change occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

Other financial instruments such as, cash and cash equivalents and Murabaha placements are short-term financial asset whose carrying amount approximate their fair value, because of their short-term nature and high credit quality of counterparty. For all other financial assets and liabilities, the carrying value approximates fair value.

**13. SUBSEQUENT EVENTS**

There are no significant adjusting events subsequent to the statement of financial position date that requires disclosures and / or adjustments in the financial statements.

**14. APPROVAL OF FINANCIAL STATEMENT**

These financial statements were approved and authorized for issue by the Fund's Board on 18 Ramadan 1445H corresponding to 28 March 2024.