

**BAITK LIQUIDITY FUND**  
**(Managed by Saudi Kuwaiti Finance House)**

**FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITOR'S REPORT**

**31 DECEMBER 2022**

Baitk Liquidity Fund  
(Managed by Saudi Kuwaiti Finance House Company)

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FINANCIAL STATEMENTS

31 December 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Baitk Liquidity Fund  
(Managed by Saudi Kuwaiti Finance House)

### Our Opinion

We have audited the accompanying financial statements of Baitk Liquidity Fund (the "Fund") being managed by Saudi Kuwaiti Finance House (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, the statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as 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 professional code of conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matter

The financial statements of the Fund as of 31 December 2021 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 Shaaban 1443H (corresponding to 30 March 2022).

### Other information

The Fund Manager is responsible for the other information. The other information comprises information included in the Fund's 2022 Annual Report, but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Fund's 2022 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House)**

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by SOCPA, and the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA") and the Fund's terms and conditions, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing as 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 as 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 Fund Manager.
- Conclude on the appropriateness of 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.

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**To the Unitholders of Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- 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



Turki A. Alluhaid  
Certified Public Accountant  
License No. 438

Riyadh: 7 Ramadan 1444 H  
(29 March 2023)



**Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House Company)**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	<i>Note</i>	<b>2022 SR</b>	<b>2021 SR</b>
<b>ASSETS</b>			
Cash and cash equivalents	5	<b>5,551,203</b>	2,995,544
Financial assets at amortised cost	6	<b>9,199,662</b>	11,374,196
Financial assets at fair value through profit or loss ("FVTPL")	7	<b>1,593,246</b>	1,548,127
Accrued income		<b>46,315</b>	97,150
<b>TOTAL ASSETS</b>		<b>16,390,426</b>	16,015,017
<b>LIABILITIES</b>			
Management fee payable	8	<b>35,486</b>	19,396
Accrued expenses		<b>145,514</b>	95,907
<b>TOTAL LIABILITIES</b>		<b>181,000</b>	115,303
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>16,209,426</b>	15,899,714
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,390,426</b>	16,015,017
Redeemable units in issue (numbers)		<b>1,503,633</b>	1,500,855
Net assets value attributable to per unit (SR)		<b>10.78</b>	10.59

The attached notes 1 to 14 form an integral part of these financial statements.

**Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House Company)**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Note</i>	<b>2022 SR</b>	<b>2021 SR</b>
<b>INCOME</b>			
Special commission income		<b>391,869</b>	276,230
Income from financial assets at FVTPL	7	<b>45,119</b>	34,177
<b>TOTAL INCOME</b>		<b>436,988</b>	310,407
<b>EXPENSES</b>			
Management fee	8	<b>(37,040)</b>	(31,767)
Custody fees		<b>(27,765)</b>	(41,838)
Provision for expected credit losses	5, 6	<b>(37,485)</b>	(21,846)
Other operating expenses		<b>(54,986)</b>	(64,103)
<b>TOTAL OPERATING EXPENSES</b>		<b>(157,276)</b>	(159,554)
<b>NET INCOME FOR THE YEAR</b>		<b>279,712</b>	150,853
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>279,712</b>	150,853

The attached notes 1 to 14 form an integral part of these financial statements.

**Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House Company)**

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2022

	<i>Note</i>	<b>2022 SR</b>	<b>2021 SR</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		<b>279,712</b>	150,853
Adjustments for:			
Income from financial assets at FVTPL	7	<b>(45,119)</b>	(34,177)
Provision for expected credit losses	5, 6	<b>37,485</b>	19,680
		<b>272,078</b>	136,356
Changes in operating assets and liabilities:			
Decrease in financial assets at amortised cost		<b>2,137,049</b>	2,701,951
Decrease in accrued income		<b>50,835</b>	3,718
Increase in management fee payable		<b>16,090</b>	-
Increase in accrued expenses		<b>49,607</b>	9,515
Net cash flows from operating activities		<b>2,525,659</b>	2,851,540
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		<b>30,000</b>	-
Net cash flows from financing activities		<b>30,000</b>	-
<b>Net increase in cash and cash equivalents</b>		<b>2,555,659</b>	2,851,540
Cash and cash equivalents at the beginning of the year		<b>2,995,544</b>	144,004
<b>Cash and cash equivalents at the end of the year</b>		<b>5,551,203</b>	2,995,544

The attached notes 1 to 14 form an integral part of these financial statements.

**Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House Company)**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2022

	2022 SR	2021 SR
<b>Equity attributable to the redeemable unitholders at the beginning of the year</b>	<b>15,899,714</b>	<b>15,748,861</b>
<b>Comprehensive income:</b>		
Net income for the year	279,712	150,853
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>279,712</b>	<b>150,853</b>
<b>CHANGE FROM UNIT TRANSACTIONS</b>		
Proceeds from issuance of units	30,000	-
Payment against redemption of units	-	-
<b>Net increase from unit transactions</b>	<b>30,000</b>	<b>-</b>
<b>Equity attributable to the redeemable unitholders at the end of the year</b>	<b>16,209,426</b>	<b>15,899,714</b>

**REDEEMABLE UNIT'S TRANSACTIONS**

Transactions in redeemable units for the years ended 31 December are summarised as follows:

	2022 Units	2021 Units
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>1,500,855</b>	<b>1,500,855</b>
Units issued during the year	2,778	-
Units redeemed during the year	-	-
<b>NET INCREASE IN UNITS DURING THE YEAR</b>	<b>2,778</b>	<b>-</b>
<b>UNITS AT THE END OF THE YEAR</b>	<b>1,503,633</b>	<b>1,500,855</b>

The attached notes 1 to 14 form an integral part of these financial statements.

**Baitk Liquidity Fund**  
**(Managed by Saudi Kuwaiti Finance House Company)**

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**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2022

**1 INCORPORATION AND ACTIVITIES**

Baitk Liquidity Fund (the “Fund”) is an open-ended fund established and managed under the agreement between Saudi Kuwaiti Finance House (the “Fund Manager”) and investors in the Fund (the “Unitholders”), in accordance with Capital Market Authority (“CMA”) regulations and Shariah rules issued by the Shariah board of the Fund Manager.

CMA granted approval for the establishment of the Fund in its letter number 17/575/5/16 dated 4 Jumada AlAwwal 1438H (corresponding to 1 February 2017). The Fund commenced its operations on 22 Rabi al-Thani 1439H (corresponding 9 January 2018).

The Fund is designed to invest in short to medium-term cash instruments in Saudi Riyals and US Dollars that comply with Sharia standards approved by the Shariah Committee of the Fund Manager.

The Fund is managed by Saudi Kuwaiti Finance House, a Saudi closed joint stock company with commercial registration number 1010312522, licensed by the CMA of the Kingdom of Saudi Arabia under license number 08124-37. Saudi Fransi Capital (the “Custodian”) is appointed as the custodian of the Fund (2021: Saudi Fransi Capital).

The address of the registered office of the Fund and of the Fund Manager is in P.O. Box 15005, Riyadh, 11523, Kingdom of Saudi Arabia.

**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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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 Organisation 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 that 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 9.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 BASIS OF PREPARATION (continued)**

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.

**3.2 NEW IFRS STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS THEREOF, ADOPTED BY THE FUND**

**3.2.1 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.

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>IFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to IFRS 17 and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
<i>Non-current Liabilities with Covenants (Amendments to IAS 1)</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	1 January 2024

In the opinion of the Fund Manager, these standards, amendments to standards and interpretations are not expected to impact the Fund.

**3.3 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.

**3.4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash with a bank and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 FINANCIAL INSTRUMENTS**

**3.5.1 Financial Instruments - Initial recognition and subsequent measurement**

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

*i) Financial assets*

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

**Subsequent measurement**

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

***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 cash and cash equivalent.

Baitk Liquidity Fund  
(Managed by Saudi Kuwaiti Finance House Company)

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 FINANCIAL INSTRUMENTS (continued)

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

i) Financial assets (continued)

**Financial assets measured at fair value through profit or loss ("FVTPL")**

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; and
- (c) The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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 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.

**Impairment**

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 FINANCIAL INSTRUMENTS (continued)**

**3.5.1 Financial Instruments - Initial recognition and subsequent measurement (continued)**

**i) Financial assets (continued)**

**Impairment (continued)**

For dividend receivable, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**ii) Financial liabilities**

**Initial recognition and measurement**

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

**Financial liabilities measured at amortised cost**

This category includes all financial liabilities, other than those measured at fair value through profit or loss.

**Subsequent measurement**

**Financial liabilities at amortised cost**

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 fee payable and other payables.

**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.

**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.

**3.6 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

NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2022

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 FAIR VALUE MEASUREMENT (continued)**

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 8.

**3.7 ACCRUED EXPENSES**

Liabilities are recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method.

**3.8 PROVISIONS**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 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

**3.10 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.

**3.11 MANAGEMENT FEES, CUSTODY FEES AND OTHER EXPENSES**

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

**3.12 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.

Baitk Liquidity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2022

**4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Fund's financial statements in conformity with the IFRS 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 Directors, 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.

*Fair value measurement*

The Fund measures its investments in equity instruments 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).

**5 CASH AND CASH EQUIVALENTS**

	2022	2021
	SR	SR
Cash at bank (i)	1,001,806	2,282,272
Short-term Murabaha deposits (ii)	4,572,168	715,438
Less: Allowance for expected credit losses	(22,771)	(2,166)
	<u>5,551,203</u>	<u>2,995,544</u>

- (i) This comprises balances held with a local bank having sound credit rating.
- (ii) This represents short-term Murabaha deposits placed with several banks and investment companies operating in Saudi Arabia with original maturities within 90 days and carried an average special commission income rate of 5.22% per annum (31 December 2021: 2.12%).

**Baitk Liquidity Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2022**

**5 CASH AND CASH EQUIVALENTS (continued)**

The movement in allowance for expected credit losses on cash and cash equivalents is as follows:

	2022 SR	2021 SR
At the beginning of the year	2,166	-
Charge during the year	20,605	2,166
At the end of the year	22,771	2,166

**6 FINANCIAL ASSETS AT AMORTISED COST**

	2022 SR	2021 SR
Murabaha deposits (i)	9,269,014	11,426,668
Less: Allowance for expected credit losses	(69,352)	(52,472)
	9,199,662	11,374,196

- (i) This represents Murabaha deposits placed with several banks and investment companies operating in Saudi Arabia with original maturities of greater than 90 days but not exceeding 1 year and carried an average special commission income rate of 4.94% per annum (31 December 2021: 3.23%).

The movement in allowance for expected credit losses on financial assets at amortised cost is as follows:

	2022 SR	2021 SR
At the beginning of the year	52,472	32,792
Charge during the year	16,880	19,680
At the end of the year	69,352	52,472

**7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")**

	31 December 2022		31 December 2021	
	Cost (SR)	Market value (SR)	Cost (SR)	Market value (SR)
SICO Capital Money Market Fund	1,500,000	1,593,246	1,500,000	1,548,127

**8 RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. Related party transactions are governed by limits set by the regulations issued by the CMA. All the related party transactions are approved by the Board of Directors.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2022**

**8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**8.1 Related party transactions**

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transaction</i>	<i>For the year ended</i>	
			<i>31 December 2022</i>	<i>31 December 2021</i>
			<i>SR</i>	<i>SR</i>
Saudi Kuwaiti Finance House	Fund Manager	Management fees (i)	<b>37,040</b>	31,767
Board of Director	Members of Board of Director	Board fees expense	<b>19,836</b>	-

- (i) The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager charges management fee at the rate of 0.2% that is calculated based on the net asset value of the Fund's assets.

As at 31 December 2022, the Fund Manager held 1,000,000 units (31 December 2021: 1,000,000 units).

**8.2 Related party balances**

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

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Balance</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
			<i>SR</i>	<i>SR</i>
Saudi Kuwaiti Finance House	Fund Manager	Management fee payable	<b>35,486</b>	19,396

**9 FINANCIAL RISK MANAGEMENT**

**9.1 FINANCIAL INSTRUMENT RISK**

The Fund's activities expose it to a variety of financial risks including market risk, credit risk and liquidity 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 Board. The Fund's terms and conditions 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.

Baitk Liquidity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)  
31 December 2022

**9 FINANCIAL RISK MANAGEMENT (continued)**  
**9.1 FINANCIAL INSTRUMENT RISK (continued)**

**9.1.1 Market risks**

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

*a) Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund's financial assets, other than financial assets at fair value through profit or loss, and financial liabilities are denominated in Saudi Riyal and therefore the Fund is not exposed to any currency risks on these financial instruments.

The Fund does not have any foreign exchange risk since all the transactions are carried out in Saudi Riyal.

*b) Cash flow and fair value commission rate risk*

Commission rate risk arises from the effects of fluctuations in the prevailing levels of markets commission rates on the fair value of financial assets and liabilities and future cash flow. Currently all investments of the Fund are in Murabaha deposits which carry fixed commission rate. Since these investments are classified as investments measured at amortised cost, any changes in the market rates would not have any impact on the net income and the net asset value of the Fund.

*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. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors.

*Sensitivity analysis*

The table below set outs the effect on profit or loss of a reasonably possible weakening / strengthening in the net asset value of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular foreign currency and commission rates, remain constant.

	31 December 2022		31 December 2021	
<i>Net gains (losses) on financial assets at FVTPL</i>	<b>+5%</b>	<b>79,662</b>	<b>+5%</b>	<b>77,406</b>
	<b>-5%</b>	<b>(79,662)</b>	<b>-5%</b>	<b>(77,406)</b>

**9.1.2 Liquidity risk**

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

The Fund's terms and conditions provide for subscriptions and redemptions of units on weekly basis and the Fund is therefore, exposed to the liquidity risk of not meeting unitholder redemptions. The Fund's securities are considered to be readily realisable 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. Therefore, the expected maturity of all liabilities outstanding at the reporting date are within twelve months.

Baitk Liquidity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2022

**9 FINANCIAL RISK MANAGEMENT (continued)**

**9.1 FINANCIAL INSTRUMENT RISK (continued)**

**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 outstanding balances on an ongoing basis 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:

	2022 SR	2021 SR
Cash at bank	1,001,806	2,282,272
Accrued income	46,315	97,150
<b>Total exposure to credit risk</b>	<b>1,048,121</b>	<b>2,379,422</b>

As at the statement of financial position date, the Fund's exposure to credit risk for its bank balances is represented by cash at bank with a local bank having Moody's credit rating of BBB+.

**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 capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is not to distribute dividends to the redeemable unitholders, as the Fund is considered a capital growth fund where all profits are reinvested in the Fund. The reinvestment of these distributions and income is reflected in the unit price.

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

**9.3 FINANCIAL INSTRUMENTS BY CATEGORY**

Financial assets consist of cash and cash equivalents, dividend receivable and financial assets at fair value through profit or loss. Financial liabilities consist of management fee payable. All financial assets and financial liabilities as at 31 December 2022 and 2021 were classified under amortised cost category except for financial assets at fair value through profit or loss which are classified as and measured at fair value.

**Baitk Liquidity Fund**  
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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**31 December 2022**

**9 FINANCIAL RISK MANAGEMENT (continued)**

**9.4 FAIR VALUE MEASURE**

The Fund has investments at FVTPL which are measured at fair values and are classified within level 1 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities are classified as amortized cost and at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily realizable. 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.

The following table shows the fair values of financial assets, including their levels in the fair value hierarchy:

<i>As at 31 December 2022</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Financial assets at amortised cost (note 6)	-	9,199,662	-	9,199,662
Financial assets at FVTPL (note 7)	-	1,593,246	-	1,593,246
	-	10,792,908	-	10,792,908
<i>As at 31 December 2021</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
Financial assets at amortised cost (note 6)	-	11,374,196	-	11,374,196
Financial assets at FVTPL (note 7)	-	1,548,127	-	1,548,127
	-	12,922,323	-	12,922,323

**10 CONTINGENCIES**

There are no contingencies as at the reporting date.

**11 COMPARATIVE INFORMATION**

Certain prior year information have been reclassified to conform with the current year presentation.

**12 LAST VALUATION DATE**

The last valuation date of the period was 29 December 2022 (31 December 2021: 30 December 2021).

**13 SUBSEQUENT EVENTS**

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

**14 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors on 6 Ramadan 1444H (corresponding to 28 March 2023).