

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

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

BAITK LIQUIDITY FUND
(Managed by Saudi Kuwaiti Finance House)
FINANCIAL STATEMENTS
For the year ended 31 December 2023

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INDEPENDENT AUDITORS REPORT

1/2

To the Unitholders of Baitk Liquidity Fund

(Managed by Saudi Kuwaiti Finance House Company)

Opinion:

We have audited the accompanying financial statements of Baitk Liquidity Fund (Open-ended Public Investment Fund) ("the Fund") being managed by Saudi Kuwaiti Finance House Company ("the Fund Manager"), which comprise the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of material 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 2023, 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

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 Matters

The Fund's financial statements for the year ended 31 December 2023 were audited by another auditor, who expressed unmodified opinion on those financial statements on 7 Ramadan 1444 H (corresponding to 29 March 2023).

Responsibilities of the Fund Manager and those Charged with Governance for 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants, 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 of the Fund are 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.

Maham Company for Professional Services (A single shareholder LLC)

Owned by Certified Public Accountant: Abdulaziz Saud AlShabeebi (License No. 339)

CR: 2050240744 Capital: S.R. 1,000,000

4292 King Fahd Bin Abdulaziz Road - Al-Khalidiyah
Ash Shamaliyah, Dammam 32232 - 6140, Kingdom of Saudi Arabia

Landline Number: +966-13-858-9000 Website: maham.com

شركة مهام للاستشارات المهنية (شركة شخص واحد ذ م م)

مملوكة للمحاسب القانوني: عبدالعزيز سعود الشبيبي (ترخيص رقم ٣٣٩)

السجل التجاري: ٢٠٥٠٢٤٠٧٤٤ رأس المال: ١.٠٠٠.٠٠٠ ريال سعودي

٤٢٩٢ طريق الملك فهد بن عبدالعزيز - الخالدية الشمالية،
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INDEPENDENT AUDITORS REPORT

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To the Unitholders of Baithk Liquidity Fund

(Managed by Saudi Kuwaiti Finance House Company) (continued)

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

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 Managers use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements prepared for a particular purpose represent the transactions and events they represent 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 the audit.

For Maham Company for Professional Services

Abdulaziz Saud Al Shabeebi
Certified Public Accountant

License no. (339)

8 Ramadan 1445H

18 March 2024



Maham Company for Professional Services (A single shareholder LLC)

Owned by Certified Public Accountant: Abdulaziz Saud AlShabeebi (License No. 339)

CR: 2050240744 Capital: S.R. 1,000,000

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شركة مهام للاستشارات المهنية (شركة بائع واحد ذ.م.م)

مملوكة المحاسب القانوني: عبد العزيز سعود الشبيبي (ترخيص رقم ٣٣٩)

السجل التجاري: ٢٠٥٠٢٤٠٧٤٤ رأس المال: ريال سعودي

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 SR	2022 SR
ASSETS			
Cash and cash equivalents	5	17,697,387	5,574,897
Financial assets at amortized cost, net	6	31,767,569	9,222,283
Financial assets at fair value through profit or loss	7	4,192,624	1,593,246
TOTAL ASSETS		53,657,580	16,390,426
LIABILITIES AND EQUITY			
LIABILITIES			
Management fee payable	8	31,601	42,722
Accrued expenses and other payable	9	130,539	138,278
TOTAL LIABILITIES		162,140	181,000
EQUITY			
Net assets attributable to unitholders of redeemable units		53,395,440	16,209,426
TOTAL LIABILITIES AND EQUITY		53,657,580	16,390,426
Redeemable units in issue (in number)		4,705,740	1,503,633
Net asset value per unit (in SR)		11.37	10.78

The accompanying notes 1 to 18 form an integral part of these financial statements.

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

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Note	2023 SR	2022 SR
Murabaha commission income		1,428,086	391,869
Income from financial assets at fair value through profit or loss	10	112,824	45,119
Gross profit		1,540,910	436,988
Expenses			
Management fees	8	(53,617)	(32,208)
Custody fees		(30,000)	(24,334)
Professional fees		(39,856)	(26,703)
Provision for expected credit losses	5,6	(202,449)	(37,485)
Other operating expenses	11	(50,352)	(36,546)
Total expenses		(376,274)	(157,276)
Net income for the year		1,164,636	279,712
Total comprehensive income for the year		1,164,636	279,712

The accompanying notes 1 to 17 form an integral part of financial statements.

Baitk Liquidity fund
(Managed by Saudi Kuwaiti Finance House Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	2023 SR	2022 SR
OPERATING ACTIVITIES			
Net income for the year		1,164,636	279,712
Adjustments to:			
Income from financial assets at fair value through profit or loss	10	(112,824)	(45,119)
Provision for expected credit loss	5.6	202,449	37,485
		1,254,261	272,078
Changes in operating assets and liabilities:			
Financial assets at amortized cost		(22,747,736)	2,187,884
Financial assets at fair value through profit or loss		(2,486,554)	-
Management fee payable		(11,120)	16,090
Accrued expenses and other payable		(7,739)	49,607
Net cash (used in) from operating activities		(23,998,888)	2,525,659
FINANCING ACTIVITIES			
Proceeds from issued units		37,388,000	30,000
Redeemed units		(1,266,622)	-
Net cash from financing activities		36,121,378	30,000
Net increase in cash and cash equivalents		12,122,490	2,555,659
Cash and cash equivalents at the beginning of the year		5,574,897	3,019,238
Cash and cash equivalents at the end of the year		17,697,387	5,574,897

The accompanying notes 1 to 18 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 2023

	2023 SR	2022 SR
Equity attributable to the redeemable unitholders at the beginning of the year	16,209,426	15,899,714
Comprehensive income:		
Net income for the year	1,164,636	279,712
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1,164,636	279,712
Change from unit transactions		
Proceeds from issuance of units	37,388,000	30,000
Payment against redemption of units	(1,266,622)	-
Net increase from unit transactions	36,121,378	30,000
Equity attributable to the redeemable unitholders at the end of the year	53,495,440	16,209,426

Redeemable units' transactions

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

	2023 SR	2022 SR
Units at the beginning of the year	1,503,633	1,500,855
Units issued during the year	3,313,188	2,778
Units redeemed during the year	(111,081)	-
Net increase in units during the year	3,202,107	2,778
Units at the end of the year	4,705,740	1,503,633

The accompanying notes 1 to 18 form an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023

1- GENERAL INFORMATION

Baitk Liquidity Fund ("the fund") is an open-ended fund established and managed under the agreement between Saudi Kuwaiti Finance House Company (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 1439 (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 Company, 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 (2022: 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.

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.

2- BASIS OF PREPARATION

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by the Saudi Organization for Chartered and Professional Accountants, collectively hereafter referred to as "IFRS as endorsed in the Kingdom of Saudi Arabia". These financial statements have been prepared under the historical cost convention using the accrual basis of accounting except for financial assets carried at fair value through profit or loss 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 the assets/liabilities of the corresponding financial statement line item. An analysis regarding the recovery or settlement of financial assets and liabilities within 12 months after the date of preparation of the financial statements (current) and more than 12 months after reporting date (current) and more than after 12 months(non-current) is presented in the note on liquidity risk.

3- MATERIAL ACCOUNTING POLICIES

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

3-1 NEW IFRS STANDARDS, IFRIC INTERPRETATIONS AND AMENDMENTS THEREOF

The Fund applied the following amendments and interpretations for the first time in 2023, but they have no impact on the Fund's financial statements.

- Disclosure of Accounting Policies - Amendment to IAS 1 and IFRS - Statement of Practice 2.
- Definition of accounting estimates - amendments to IAS 8.
- Deferred tax relating to assets and liabilities arising from a single transaction – amendments to IAS 12.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

3- MATERIAL ACCOUNTING POLICIES (CONTINUED)

3-1-1 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following is a statement of the standards and interpretations issued but not yet effective and not applied early by the Fund until the date of issuance of the fund's financial statements. The fund intends to apply these standards listed below, where applicable when they become effective and are not expected to have an impact on the fund's financial statements.

- Classification of liabilities into current or non-current and non-current liabilities with pledges - amendments to IAS 1.
- Lease obligations in sale and leaseback contracts – amendments to IFRS 16.
- Disclosures: Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7.
- Non-interchangeability – Amendments to IAS 21.
- Sale or contribution of assets between an investor and an associate or joint venture - amendments to IFRS 10 and IAS 28.

3-2 TRANSACTION IN FOREIGN CURRENCY

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 rates prevailing at the statement of financial position date.

3-3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances and short-term investments with maturities of three months or less from the purchase date.

3-4 FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the financial instruments. 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 recognized on the trade date, i.e. the date on which the Fund commits to purchase or sell the asset.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition and subsequently measured at amortized cost and at 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 amortized 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 amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

3- MATERIAL ACCOUNTING POLICIES (CONTINUED)

3-4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Subsequent measurement

For subsequent measurement purposes, financial assets are classified into the following categories:

Financial assets held for trading

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

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 recognized 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 amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired. The Fund's financial assets at amortized cost includes cash and cash equivalent.

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 recognized 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 recognized in the statement of profit or loss when the right of payment has been established.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

3- MATERIAL ACCOUNTING POLICIES (CONTINUED)

3-4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 recognize the transferred asset to the extent of the Fund's continuing involvement. In that case the Fund also recognizes an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment of financial assets

The Fund recognizes 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 recognized 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).

For dividend receivable, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes 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.

Financial liabilities

Initial Recognition and Measurement

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

Financial liabilities measured at amortized cost

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

Subsequent measurement

Financial liabilities at amortized cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortized cost using the ER method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized 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 amortization is included as finance costs in the statement of profit or loss.

This category generally applies to management fee payable and other payables.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-4 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

Offset 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 costs and liabilities are presented gross in the statement of financial position.

3-5 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 settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transactions to sell the asset or transfer the liability occur either:

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

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

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

- 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As at 31 December 2023

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-5 FAIR VALUE MEASUREMENT (CONTINUED)

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 13.

3-6 ACCRUED EXPENSES

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

3-7 PROVISIONS

Provisions are recognized when the Fund has obligations (legal or constructive) resulting from past events, it is probable that resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3-8 REDEEMABLE UNITS

Redeemable units are classified as equity instruments when:

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

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 or the change in the fair value of the recognized and unrecognized 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 recognized 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 recognized in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

3- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3-9 NET ASSETS PER UNIT

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

3-10 MANAGEMENT FEES, CUSTODY FEES AND OTHER EXPENSES

Management fees, custody fees and other expenses are charged at rates/amounts specified in the terms and conditions of the fund.

3-11 ZAKAT AND INCOME TAX

The Fund is not responsible for paying any zakat or income tax, as this is considered the responsibility of the unit owners, and therefore no provision is made for it in these financial statements.

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).

Baitk Liquidity Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

5- CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Short-term Murabaha deposits (1)	11,580,749	4,572,168
Cash at banks (2)	5,996,469	1,001,806
Accrued income on short-term Murabaha deposit	123,080	23,694
Less: Provision for expected credit losses	(2,911)	(22,771)
	<u>17,697,387</u>	<u>5,574,897</u>

(1) This represents short-term Murabaha deposits with several banks and investment companies operating in the Kingdom of Saudi Arabia with original maturities within 90 days and carried an average special commission income at a rate of 6.18% per annum (December 31, 2022: 5.22%).

(2) This comprises balances held with a local bank having sound credit rating.

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

	2023 SR	2022 SR
At the beginning of the year	22,771	2,166
(Reversal) of the provision during the year	(19,860)	20,605
	<u>2,911</u>	<u>22,771</u>

6- FINANCIAL ASSETS AT AMORTIZED COST, NET

	2023 SR	2022 SR
Murabaha deposits (i)	31,405,460	9,269,014
Accrued income on short-term Murabaha deposit	653,770	22,621
Less: Provision for expected credit losses	(291,661)	(69,352)
	<u>31,767,569</u>	<u>9,222,283</u>

(i) This represents Murabaha deposits with several banks and investment companies operating in the Kingdom of Saudi Arabia with original maturities greater than 90 days and not exceeding 1 year and earn an average Murabaha commission income at a rate of 6.33% per annum (31 December 2022: 4.94%).

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

	2023 SR	2022 SR
At the beginning of the year	69,352	52,472
Charge during the year	222,309	16,880
At the end of the year	<u>291,661</u>	<u>69,352</u>

Baitk Liquidity Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

7- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Cost SR	Market value SR
31 December 2023		
Artal Murabaha Fund (Category A)	2,700,000	2,782,675
Al-Khair Capital Murabaha Fund in Saudi Riyals	1,400,000	1,409,949
	4,100,000	4,192,624
	Cost SR	Market value SR
31 December 2022		
SICO Financial Money Market Fund	1,500,000	1,593,246
	1,500,000	1,593,246

8- TRANSACTIONS WITH RELATED PARTIES

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 the 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.

Name of related party	Nature of transaction	Transaction amounts for the year ended	
		2023 SR	2022 SR
Saudi Kuwaiti Finance House Company (the Fund manager)	Management fees (i)	53,617	32,208
Board of Directors	Board fees expense	11,933	7,336

- The Fund Manager is responsible for the general management of the Fund's activities. The fund manager charges a management fee at a rate of 0.2%, calculated based on the net value of the fund's assets.
- As of December 31, 2023 and 2022, the Fund Manager owns 1,000,000 units.

The following are the details of the credit balances resulting from transactions with related parties:

Name of related party	Nature of relationship	Nature of transaction	2023 SR	2022 SR
Saudi Kuwaiti Finance House Company	Fund Manager	Management fees payable	31,601	42,722

9- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023 SR	2022 SR
Custody fees payable	72,175	72,175
Professional fees payable	18,412	18,781
Other liabilities	39,952	47,322
	130,539	138,278

Baitk Liquidity Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

10- GAINS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	SR	SR
Realized gain on financial assets at fair value through profit or loss	20,200	-
Unrealized gain on financial assets at fair value through profit or loss	92,624	45,119
	130,539	138,278

11- OTHER OPERATING EXPENSES

	2023	2022
	SR	SR
Administrative expenses	19,201	16,526
Value added tax expenses	19,218	12,684
Board of directors' fees expenses (note 8)	11,933	7,336
	50,352	36,546

12- FINANCIAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS RISK

The Fund's activities expose it to various financial risks, including market price risks, credit risks and liquidity risks.

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 risks to which it is exposed. These methods are explained below:

Market risk

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

a) Currency risk

Currency risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in foreign currency rates. The Fund's transactions are mainly conducted in Saudi Riyals and US Dollars. Since the Saudi Riyal's exchange rate is pegged against the US Dollar, currency risk does not represent a significant risk.

b) Commission rate risks on cash flows and fair value

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 amortized cost, any changes in the market rates would not have any impact on the net income and the net asset value of the Fund.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

12- FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

c) Price risk

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

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund Manager closely monitors the price movement of its financial instruments. 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 reduction/ increase 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 2023		31 December 2022	
Net gains (losses) on financial assets at FVTPL	+5%	209,631	+5%	79,662
	-5%	(209,631)	-5%	(79,662)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in realizing funds to meet commitments associated with financial liabilities. Liquidity risk may arise from the inability to sell a financial asset quickly and at an amount close to its fair value. Liquidity risk is managed by constantly ensuring the availability of sufficient funds through committed credit facilities to meet any future obligations.

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 realizable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

The undiscounted value of all financial liabilities of the Fund at the reporting date approximate to their carrying values and all are to be settled within one year from the reporting date. Therefore, the expected maturity of all liabilities outstanding at the reporting date are within twelve months.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

12- FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2023 SR	2022 SR
Cash at banks	5,996,469	1,001,806
Short-term Murabaha deposits	11,703,829	4,595,962
Financial assets at amortized cost	32,059,230	9,291,635
Total exposure to credit risk	49,759,528	14,889,403

As at the statement of financial position date, the Fund's exposure to credit risk for its bank balances with a local bank having long term Moody's credit rating of A2 (S&P and Fitch: BBB+).

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.

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.

13- FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has investments at FVTPL which are measured at fair values and are classified within level 2 of the fair value hierarchy. Management believes that the fair value of all other financial assets and liabilities are classified at amortized cost and at reporting date approximate their carrying values owing their short term-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 value of financial assets, including their levels in the fair value hierarchy:

As of 31 December 2023	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at amortized cost	-	31,767,569	-	31,767,569
Financial assets at fair value through profit or loss	-	4,192,624	-	4,192,624
	-	35,960,193	-	35,960,193

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2023

13- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 December 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at amortized cost	-	9,222,283	-	9,222,283
Financial assets at fair value through profit or loss	-	1,593,246	-	1,593,246
	-	10,815,529	-	10,815,529

The Fund determined the fair value of investments in unlisted open-ended investment funds measured at fair value through profit or loss using unadjusted net asset value. In addition, the fair value of investments in unlisted instruments measured at amortized cost is determined based on the comparable external security price. Accordingly, the Fund classifies them as Level 2 of the hierarchy.

14- CONTINGENT LIABILITIES

There are no contingent liabilities as of the reporting date.

15- COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the presentation of accounts in the current year.

16- SUBSEQUENT EVENTS

There are no matters that have arisen up to the date of approval of the financial statements that could materially affect the financial statements and disclosures for the year ended 31 December 2023.

17- LAST VALUATION DATE

The last valuation date of the period was 31 December 2023 (31 December 2022: 29 December 2022).

18- FINANCIAL STATEMENTS APPROVAL

The Fund's financial statements for the year ending 31 December 2023 were approved for issuance by the Board of Directors on 8 Ramadan 1445H (corresponding to: 18 March 2024).