**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**Financial statements**
For the year ended 31 December 2023
together with the
**Independent Auditor's Report**

**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**For the year ended 31 December 2023**

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

**Headquarters in Riyadh**

**كي بي إم جي للاستشارات المهنية**
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صندوق بريد 92876
الرياض 11663
المملكة العربية السعودية
سجل تجاري رقم 1010425494

**المركز الرئيسي في الرياض**

# Independent Auditor's Report

## To the Unitholders of Al Rajhi Saving and Liquidity Fund - United States Dollar (formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)

## Opinion

We have audited the financial statements of **Al Rajhi Saving and Liquidity Fund - United States Dollar** (the "Fund") managed by Al Rajhi Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

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

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

# Independent Auditor's Report

To the Unitholders of Al Rajhi Saving and Liquidity Fund - United States Dollar (formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar) (continued)

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Al Rajhi Saving and Liquidity Fund - United States Dollar** (the "Fund").

**KPMG Professional Services**

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**Khalil Ibrahim Al Sedais**
License No: 371

Riyadh: 18 Ramadan 1445H
Corresponding to: 28 March 2024

**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**Statement of Financial Position**
**As at 31 December 2023**
(Amounts in USD)

| | *Notes* | **31 December 2023** | 31 December 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | *5* | **73,668,985** | 77,969,374 |
| Investments measured at fair value through profit or loss ("FVTPL") | *6* | **21,330,345** | 11,252,957 |
| Investments measured at amortized cost | *7* | **127,426,830** | 30,589,609 |
| **Total Assets** | | **222,426,160** | 119,811,940 |
| **LIABILITIES** | | | |
| Management fee payable | *8, 9* | **351,607** | 75,000 |
| Accrued expenses | *10* | **15,466** | 11,432 |
| **Total Liabilities** | | **367,073** | 86,432 |
| **Net assets (equity) attributable to the Unitholders** | | **222,059,087** | 119,725,508 |
| **Units in issue** (*numbers*) | | **89,108** | 50,189 |
| **Net assets (equity) attributable to each unit** (*USD*) **- IFRS** | *17* | **2,492.02** | 2,385.50 |
| **Net assets (equity) attributable to each unit** (*USD*) – **Dealing** | *17* | **2,492.02** | 2,385.50 |

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

**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**Statement of Comprehensive Income**
**For the year ended 31 December 2023**
(Amounts in USD)

| | *Notes* | **2023** | 2022 |
|---|---|---|---|
| **INCOME** | | | |
| Special commission income | | **10,464,027** | 2,911,695 |
| Net unrealized gain on investments measured at FVTPL | *6.1* | **598,672** | 138,052 |
| Net realized gain on investments measured at FVTPL | | **230,039** | 159,261 |
| | | **11,292,738** | 3,209,008 |
| **EXPENSES** | | | |
| Management fee | *8, 9* | **(1,915,392)** | (530,244) |
| Other expenses | *11* | **(26,718)** | (20,038) |
| | | **(1,942,110)** | (550,282) |
| **Net income for the year** | | **9,350,628** | 2,658,726 |
| Other comprehensive income for the year | | **--** | -- |
| **Total comprehensive income for the year** | | **9,350,628** | 2,658,726 |

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

**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**Statement of changes in net assets (equity) attributable to the Unitholders**
**For the year ended 31 December 2023**
(Amounts in USD)

| | **2023** | 2022 |
|---|---|---|
| **Net assets (equity) attributable to the Unitholders at beginning of the year** | **119,725,508** | 187,122,185 |
| Net income for the year | **9,350,628** | 2,658,726 |
| Other comprehensive income for the year | **-** | -- |
| Total comprehensive income for the year | **9,350,628** | 2,658,726 |
| Proceeds from issuance of units during the year | **185,857,436** | 86,284,700 |
| Payments on redemption of units during the year | **(92,874,485)** | (156,340,103) |
| **Net contribution / (redemption) by the Unitholders** | **92,982,951** | (70,055,403) |
| **Net assets (equity) attributable to the Unitholders at end of the year** | **222,059,087** | 119,725,508 |

**Unit transactions (numbers)**

Transactions in units for the year are summarized as follows:

| | **2023 (In units)** | 2022 (In units) |
|---|---|---|
| **Units in issuance at beginning of the year** | **50,189** | 79,777 |
| Issuance of units during the year | **77,073** | 36,639 |
| Redemption of units during the year | **(38,154)** | (66,227) |
| Net increase / (decrease) in units | **38,919** | (29,588) |
| **Units in issuance at end of the year** | **89,108** | 50,189 |

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

**AL RAJHI SAVING AND LIQUIDITY FUND - UNITED STATES DOLLAR**
(formerly known as Al Rajhi Commodity Mudaraba Fund - United States Dollar)
**(An open-ended mutual fund)**
Managed by
**AL RAJHI CAPITAL COMPANY**
**Statement of Cash Flows**
**For the year ended 31 December 2023**
(Amounts in USD)

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income for the year | | **9,350,628** | 2,658,726 |
| ***Adjustments for:*** | | | |
| Unrealized gain on investments measured at FVTPL | *6.1* | **(598,672)** | (138,052) |
| Realized gain on investments measured at FVTPL | | **(230,039)** | (159,261) |
| **Net changes in operating assets and liabilities** | | | |
| Purchase of investments measured at FVTPL | | **(16,902,010)** | (29,646,150) |
| Proceeds from sale of investments measured at FVTPL | | **7,653,333** | 32,525,334 |
| Purchase of investments measured at amortised cost | | **(571,626,339)** | (404,941,093) |
| Proceeds from redemption / disposal of investments measured at amortised cost | | **475,800,000** | 503,384,001 |
| (Increase) / decrease in accrued special commission income | | **(1,010,882)** | 47,418 |
| Increase in management fee payable | | **276,607** | 50,131 |
| Increase in accrued expenses | | **4,034** | 801 |
| **Net cash (used in) / generated from operating activities** | | **(97,283,340)** | 103,781,855 |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of units | | **185,857,436** | 86,284,700 |
| Payments for redemption of units | | **(92,874,485)** | (156,340,103) |
| **Net cash generated from / (used in) financing activities** | | **92,982,951** | (70,055,403) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(4,300,389)** | 33,726,452 |
| Cash and cash equivalents at beginning of the year | *5* | **77,969,374** | 44,242,922 |
| **Cash and cash equivalents at end of the year** | *5* | **73,668,985** | 77,969,374 |

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

## 1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Rajhi Saving and Liquidity Fund - United States Dollar (formerly known as Al Rajhi Commodity Mudaraba Fund – United States Dollar), (the "Fund") is an open-ended investment fund created by an agreement between Al Rajhi Capital (the "Fund Manager"), a wholly owned subsidiary of the Al Rajhi Banking and Investment Corporation (the "Bank"), and investors (the "Unitholders") in the Fund. The address of the Fund Manager is as follows:

Al Rajhi Capital, Head Office
8467 King Fahad Road, Al Muruj District
P.O. Box 2743
Riyadh 11263
Kingdom of Saudi Arabia

The Fund is designed for investors seeking current income consistent with the preservation of capital and liquidity. The assets of the Fund are invested in Murabaha funds and in Murabaha transactions executed in accordance with Sharia principles. Murabaha comprises purchases of goods and commodities from approved suppliers against immediate payment and selling them to reputed organisations on deferred payment terms, thereby generating a profit. All the trading profits are reinvested in the Fund. The Fund was established on 14 December 1990.

The Fund has appointed Al Bilad Investment Company (the "Custodian") to act as its custodian.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager can also enter into arrangements with other institutions for the provision of investment, registrar or other administrative services on behalf of the Fund.

## 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") issued by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and effective from 6 Safar 1438H (corresponding 6 November 2016) The Regulation was further amended (the "Amended Regulations") on 17 Rajab 1442 H (corresponding to 1 March 2021), detailing requirements for all funds within the Kingdom of Saudi Arabia. The Amended Regulations have effective dates starting from 19 Ramadan 1442 H (corresponding to 1 May 2021).

## 3. BASIS OF PREPARATION

### 3.1 Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and to comply with the applicable provisions of the Investment Funds Regulations issued by the Capital Market Authority ("CMA") and the Fund's Terms and Conditions.

### 3.2 Basis of measurement

The financial statements have been prepared on a historical cost basis (except for investments measured at FVTPL which are stated at their fair value) using the accrual basis of accounting.

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

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

## 3. BASIS OF PREPARATION (CONTINUED)

### 3.3 Functional and presentation currency

These financial statements are presented in United States Dollar ("USD"), which is also the functional currency of the Fund. All financial information presented has been rounded to the nearest USD.

### 3.4 Use of estimates and judgments

The preparation of these financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. Such judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

***Measurement of the expected credit loss allowance***
The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

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

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The principal 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.

### 3.5 New standards and regulations

***New IFRS Standards, interpretations and amendments adopted by the Fund***

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 1 January 2023 and accordingly adopted by the Fund, as applicable:

| ***Standards / Amendments*** | ***Description*** |
|---|---|
| Amendments to IAS 1 | Disclosure of accounting policies |
| Amendments to IAS 8 | Definition of accounting estimate |
| Amendments to IAS 12 | Deferred tax related to assets and liabilities arising from a single transaction and International tax reform – Pillar Two Model Rules |
| Amendments to IFRS 17 | Insurance Contracts |

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

## 3. BASIS OF PREPARATION (CONTINUED)

### 3.5 New standards and regulations (continued)

***New regulations effective during the year***

The Minister of Finance via Ministerial Resolution No. (29791) dated 9 Jumada-al-Awwal 1444 H (corresponding to 3 December 2022) approved the Zakat Rules for Investment Fund permitted by the CMA.

The Rules are effective from 1 January 2023 requiring Investment Funds to register with Zakat, Tax and Customs Authority (ZATCA). The Rules also require the Investment Funds to submit a zakat information declaration to ZATCA within 120 days from the end of their fiscal year, including audited financial statements, records of related party transactions and any other data requested by ZATCA. Under the Rules, Investment Funds are not subject to Zakat provided they do not engage in unstipulated economic or investment activities as per their CMA approved Terms and Conditions. Zakat collection will be applied on the Fund's Unitholders.

During the current year, the Fund Manager has completed the registration of the Fund with ZATCA and will be submitting zakat information declaration in due course.

***New IFRS Standards, interpretations and amendments but not yet effective***

| Standards / Amendments | Description | Effective from periods beginning on or after the following date |
|---|---|---|
| Amendments to IAS 1 | Classification of Liabilities as current or non-current and non-current liabilities covenant | 1 January 2024 |
| Amendments to IFRS 16 | Lease liability in a sale and leaseback transaction | 1 January 2024 |
| Amendments to IAS 7 and IFRS 7 | Supplier finance arrangements | 1 January 2024 |
| Amendments to IAS 21 | Lack of exchangeability | 1 January 2025 |
| Amendments to IFRS 10 and IAS 28 | Sales or contribution of assets between investors and its associates or joint venture | Available for optional adoption / effective date deferred indefinitely |

The Fund Manager anticipates that the application of these new standards and amendments in the future will not have any significant impact on the amounts reported.

## 4. MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied by the Fund in preparing its financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### A. Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks, cash held with local Bank in trading account and with custodian in investment account and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments.

## 4. MATETIAL ACCOUNTING POLICIES (CONTINUED)

### B. Financial assets and liabilities

#### *Recognition and initial measurement*

Financial assets and liabilities at Fair value through Profit and loss ("FVTPL") are initially recognised at trade date, which is the date on which the Fund becomes party to the contractual provisions of the instruments. Other financial assets and liabilities are recognised on the date on which they are originated.

Financial assets at FVTPL are initially recognised at fair value, with transaction costs recognised in profit or loss. Financial assets not at FVTPL are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

#### *Classification of financial assets*

On initial recognition, the Fund classifies financial assets as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

All other financial assets of the Fund are measured at FVTPL.

#### *Business model assessment*

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and the information is provided to the Fund Manager. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund Manager;
  the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realized.

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### A. Financial assets and liabilities (continued)

***Business model assessment (continued)***

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

***Assessment whether contractual cash flows are solely payments of principal and profit***

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Profit’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

***Reclassification***

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing the financial assets.

***Classification of financial liabilities***

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

***Derecognition***

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### B. Financial assets and liabilities (continued)

***Derecognition (continued)***

Transactions in which the Fund transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or portion of them, the transferred assets are not derecognized. Transfer of assets with retention of all or substantially all of the risk and rewards include sale and repurchase transactions.

Transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The Fund derecognizes a financial liability when its contractual obligations are either discharged or cancelled or expired.

***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from similar investment transactions such as in the Fund's trading activity.

***Fair value measurement***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on going basis. The Fund measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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 12.

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### C. Subscription and redemption on units

Units subscribed and redeemed are recorded at net asset (equity) value per unit on the Valuation Day for which the subscription request and redemption applications are received.

***Redeemable units***

Redeemable units are as equity instruments as they meet certain criteria. Those criteria include:
- the redeemable units must entitle the holder to a pro-rata share of net assets;
- the redeemable units must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the redeemable units over its life must be based substantially on the profit or loss of the issuer.

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.

### D. Net assets value per unit

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

### E. Revenue recognition

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

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

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

***Dividend income***

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

***Special commission income***

Special commission income including special commission income from non-derivative financial assets measured at amortised cost, are recognized in the statement of comprehensive income, using effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

## 4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

### F. Fee and other expenses

Fee and other expenses are measured and recognized as expenses on an accrual basis in the period in which they are incurred.

### G. Foreign currency

Transactions in foreign currencies are translated into USD at the exchange rate at the dates of the transactions.

Foreign exchange gains and losses arising from translation are included in profit or loss. Monetary assets and liabilities denominated in foreign currencies are retranslated into USD at the exchange rate at the reporting date.

Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL

### H. Provisions

Provisions are recognized whenever there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of bank balances with Al Rajhi Banking and Investment Corporation (the “Bank”), the parent entity of the Fund Manager. In addition, these balances also comprise of cash placed with Al Bilad Investment Company (the “Custodian”) for buying and selling of investment securities.

| | *Notes* | **2023** | 2022 |
|---|---|---|---|
| Cash with bank – current account | | **1,634,677** | 652,470 |
| Cash with custodian | | **162,858** | 36,611 |
| Short-term Murabaha placements | *5.1* | **71,871,450** | 77,280,293 |
| | | **73,668,985** | 77,969,374 |

5.1 These represents Murabaha placements with the local and international banks having original maturity of three months or less. These placements carry profit rates ranging from 5.80% to 6.40% per annum (31 December 2022: 4.30% to 5.60% per annum) with maturity up till 27 March 2024 (31 December 2022: 14 March 2023). As at 31 December, this amount includes accrued special commission income amounting to SR 471,450 (31 December 2022: 380,293).

## 6. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

This represents investment in the units of Al Rajhi Saving Liquidity Fund – Saudi Riyal, a Fund managed by the Fund Manager, the cost and fair value of the investment is as follows:

| | **31 December 2023** | | | |
|---|---|---|---|---|
| | **Cost (SAR)** | **Fair Market value (SAR)** | **% of Fair value** | **Unrealised gain (SAR)** |
| Al Rajhi Saving and Liquidity Fund – Saudi Riyal | **20,445,848** | **21,330,345** | **100.00** | **884,497** |

| | 31 December 2022 | | | |
|---|---|---|---|---|
| | Cost (SAR) | Fair Market value (SAR) | % of Fair value | Unrealised gain (SAR) |
| Al Rajhi Saving and Liquidity Fund – Saudi Riyal | 10,967,132 | 11,252,957 | 100.00 | 285,825 |

Investments in mutual funds are unrated. The Fund also does not have an internal grading mechanism. The Fund Manager seeks to limit risk of the Fund by monitoring exposures in each investment sector and individual securities.

6.1 Movement of unrealized gain on re-measurement of investment at FVTPL:

| | **2023** | 2022 |
|---|---|---|
| Fair value as at 31 December | **21,330,345** | 11,252,957 |
| Cost as at 31 December | **(20,445,848)** | (10,967,132) |
| Unrealised gain as at 31 December | **884,497** | 285,825 |
| Unrealised gain as at 1 January | **(285,825)** | (147,773) |
| Unrealised gain for the year | **598,672** | 138,052 |

## 7. INVESTMENTS MEASURED AT AMORTISED COST

| | *Notes* | **2023** | 2022 |
|---|---|---|---|
| Murabaha placements | *7.1* | **113,000,000** | 25,200,000 |
| Sukuk | *7.2* | **10,431,997** | 4,961,868 |
| Accrued special commission income | | **3,994,833** | 427,741 |
| | | **127,426,830** | 30,589,609 |

## 7. INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

7.1 The remining maturity of Murabaha placements having original maturity of more than three months is as follows:

| ***Remaining maturity*** | **2023** | 2022 |
|---|---|---|
| **Up to 1 month** | **30,000,000** | -- |
| **1-3 months** | **24,600,000** | -- |
| **3-6 months** | **20,000,000** | 6,000,000 |
| **6-9 months** | **10,000,000** | 10,000,000 |
| **9-12 months** | **28,400,000** | 9,200,000 |
| | **113,000,000** | 25,200,000 |

Murabaha placements are held with the local and international banks. These carry profit rates ranging from 5.50% to 6.50% per annum (31 December 2022: 3.10% to 5.20% per annum) with maturity up till 12 December 2024 (31 December 2022: 10 October 2023).

7.2 Sukuk investments are comprised of the following:

| ***As at 31 December 2023*** | ***Profit rate per annum*** | ***Maturity date*** | ***Amount*** |
|---|---|---|---|
| **DIB Tier 1 Sukuk 4** | **4.63%** | **19 May 26** | **2,367,431** |
| **Ahli United Sukuk Ltd** | **3.88%** | **17 Jun 26** | **2,297,505** |
| **Riyad Tier 1 Sukuk** | **4.00%** | **16 Feb 27** | **1,847,076** |
| **Mumtalakat Sukuk 2024** | **5.63%** | **27 Feb 24** | **1,519,450** |
| **Sharjah Government Sukuk 2024** | **3.76%** | **17 Sep 24** | **1,002,793** |
| **Almarai Sukuk** | **4.31%** | **05 Mar 24** | **700,000** |
| **Mumtalakat Sukuk 2027** | **4.24%** | **21 Jan 27** | **497,742** |
| **Sharjah Government Sukuk 2027** | **2.94%** | **10 Jun 27** | **200,000** |
| | | | **10,431,997** |

| *As at 31 December 2022* | *Profit rate per annum* | *Maturity date* | *Amount* |
|---|---|---|---|
| Mumtalakat Sukuk 2024 | 5.63% | 27 Feb 24 | 1,558,032 |
| Sharjah Government Sukuk 2024 | 3.76% | 17 Sep 24 | 1,005,578 |
| State of Qatar Sukuk | 2.98% | 18 Jan 23 | 1,001,157 |
| Almarai Sukuk | 4.31% | 05 Mar 24 | 700,000 |
| Mumtalakat Sukuk 2027 | 4.24% | 21 Jan 27 | 497,101 |
| Sharjah Government Sukuk 2027 | 2.94% | 10 Jun 27 | 200,000 |
| | | | 4,961,868 |

## 8. MANAGEMENT FEE

As per the terms and conditions of the Fund, the Fund pays a management fee at a maximum rate of 16% per annum (2022: 16% per annum) calculated on the Fund’s special commission income. The fee is intended to compensate the Fund Manager for administration of the Fund.

## 9. 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 related parties of the Fund include the Fund Manager, the Fund Board, other funds managed by the Fund Manager and key management personnel of the Fund manager. In the ordinary course of its activities, the Fund has transactions with the related parties.

The Fund does not charge any subscription fee on subscription of units and redemption fee on redemption of units. Other expenses paid by the Fund Manager on the behalf of the Fund are recharged to the Fund as they are incurred as per constituting documents of the Fund.

In addition to transactions disclosed elsewhere in these financial statements, transactions with related parties for the years ended 31 December and related balances as at 31 December are as follows:

| | | **Transactions for the year ended 31 December** | | **Balance as at 31 December** | |
|---|---|---|---|---|---|
| **Related party** | **Nature of transaction** | **2023** | 2022 | **2023** | 2022 |
| Al Rajhi Capital Company – the Fund Manager | Management fee | **1,915,392** | 530,244 | **351,607** | 75,000 |
| The Fund Board | Fund Board fee to the members of the Board | **818** | 459 | **818** | 459 |

***Units of the Fund held with other funds managed by the Fund Manager:***

| **Funds** | **Subscriptions during the year** | **Redemptions during the year** | **31 December 2023** | 31 December 2022 |
|---|---|---|---|---|
| Al Rajhi Conservative Fund | **17** | **--** | **3,627** | 3,610 |
| Al Rajhi Balanced Fund | **--** | **--** | **2,530** | 2,530 |
| Al Rajhi Growth Fund | **1,074** | **--** | **1,691** | 617 |
| Al Rajhi Sukuk Fund | **--** | **--** | **4** | 4 |

## 10. ACCRUED EXPENSES

| | **2023** | 2022 |
|---|---|---|
| Accrued professional fee | **5,520** | 5,520 |
| Accrued CMA fee | **2,000** | 2,000 |
| Others | **7,946** | 3,912 |
| | **15,466** | 11,432 |

## 11. OTHER EXPENSES

| | **2023** | 2022 |
|---|---|---|
| Professional fee | **9,200** | 9,200 |
| CMA fee | **2,000** | 2,000 |
| Tadawul fee | **1,533** | 1,533 |
| Others | **13,985** | 7,305 |
| | **26,718** | 20,038 |

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

### *Valuation models*

The fair values of financial instruments that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### *Fair value hierarchy – Financial instruments measured at fair value*

The table below analyses financial instruments at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized.

| | **31 December 2023** | | | | |
|---|---|---|---|---|---|
| | **Carrying value** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Investments at FVTPL** | **21,330,345** | **--** | **21,330,345** | **--** | **21,330,345** |
| **Investments at amortised cost** | **127,426,830** | **7,457,831** | **3,004,005** | **116,901,372** | **127,363,208** |
| **Total** | **148,757,175** | **1,183,768** | **30,608,413** | **116,901,372** | **148,693,553** |

| | 31 December 2022 | | | | |
|---|---|---|---|---|---|
| | Carrying value | Level 1 | Level 2 | Level 3 | Total |
| Investments at FVTPL | 11,252,957 | -- | 11,252,957 | -- | 11,252,957 |
| Investments at amortised cost | 30,589,609 | 2,239,566 | 2,737,692 | 25,947,496 | 30,924,754 |
| Total | 41,842,566 | 2,239,566 | 13,990,649 | 25,947,496 | 42,177,711 |

## 12. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

During the year, there has been no transfer in fair value hierarchy for the financial assets held at fair value.

The Fund determined fair value of securities that are traded on stock exchange at their last reported prices. To the extent that securities are actively traded and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy. Therefore, the Fund's investment in listed Sukuk measured at amortised cost have been categorized in level 1 of the fair value hierarchy.

The Fund determined fair value of investments in open-ended mutual funds measured at FVTPL using unadjusted net assets value. Moreover, the fair value of investments in un-listed Sukuk measured at amortized cost is determined based on the similar security external price. Therefore, the Fund classified them as level 2 of the fair value hierarchy.

Financial instruments such as cash and cash equivalents except short-term Murabaha placements are classified under level 1 and Murabaha placements are classified under level 3. Other financial instruments such as management fee payable and accrued expenses are short-term financial assets and financial liabilities whose carrying amounts approximate their fair value due to their short-term nature.

## 13. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled respectively:

| | **Within 12 months** | **After 12 months** | **Total** |
|---|---|---|---|
| ***As at 31 December 2023*** | | | |
| **ASSETS** | | | |
| Cash and cash equivalents | **73,668,985** | **--** | **73,668,985** |
| Investments measured at FVTPL | **21,330,345** | **--** | **21,330,345** |
| Investments measured at amortized cost | **120,159,895** | **7,266,935** | **127,426,830** |
| **TOTAL ASSETS** | **215,159,225** | **7,266,935** | **222,426,160** |
| **LIABILITIES** | | | |
| Management fee payable | **351,607** | -- | **351,607** |
| Accrued expenses | **15,466** | -- | **15,466** |
| **TOTAL LIABILITIES** | **367,073** | -- | **367,073** |

| | Within 12 months | After 12 months | Total |
|---|---|---|---|
| *As at 31 December 2022* | | | |
| ASSETS | | | |
| Cash and cash equivalents | 77,969,374 | -- | 77,969,374 |
| Investments measured at FVTPL | 11,252,957 | -- | 11,252,957 |
| Investments measured at amortized cost | 26,628,898 | 3,960,711 | 30,589,609 |
| TOTAL ASSETS | 115,851,229 | 3,960,711 | 119,811,940 |
| LIABILITIES | | | |
| Management fee payable | 75,000 | -- | 75,000 |
| Accrued expenses | 11,432 | -- | 11,432 |
| TOTAL LIABILITIES | 86,432 | -- | 86,432 |

## 14. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of the carrying amounts of the Fund's financial assets and financial liabilities into categories of financial instruments:

| ***31 December 2023*** | **Amortized cost** | **FVTPL** |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| Cash and cash equivalents | **73,668,985** | **--** |
| Investments | **127,426,830** | **21,330,345** |
| **Total Financial Assets** | **201,095,815** | **21,330,345** |
| **FINANCIAL LIABILITIES** | | |
| Management fee payable | **351,607** | **--** |
| Accrued expenses | **15,466** | **--** |
| **Total Financial Liabilities** | **367,073** | **--** |

| *31 December 2022* | Amortized cost | FVTPL |
|---|---|---|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | 77,969,374 | -- |
| Investments | 30,589,609 | 11,252,957 |
| Total Financial Assets | 108,558,983 | 11,252,957 |
| FINANCIAL LIABILITIES | | |
| Management fee payable | 75,000 | -- |
| Accrued expenses | 11,432 | -- |
| Total Financial Liabilities | 86,432 | -- |

## 15. RISK MANAGEMENT POLICIES

The Fund has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risks; and
- operational risk.

This note presents information about the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

### *Risk management framework*

The Fund primarily aims to invest in a diversified portfolio consisting of investment in Sukuk and Murabaha placements. The nature and extent of the financial instruments outstanding at the statement of financial position dare and the risk management policies employed by the Fund are discussed below.

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Fund's Board.

## 15. RISK MANAGEMENT POLICIES (CONTINUED)

### *Risk management framework (continued)*

In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take actions to rebalance the portfolio in line with the established targets, within the prescribed time limits.

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

### *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 is exposed to credit risk for its cash and cash equivalents, money market placements and Sukuk investments. The Fund Manager seeks to limit its credit risk by monitoring credit exposures and by dealing with only reputable counterparties.

The Fund's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the certain credit standards.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

Credit risk is monitored on a regular basis by the Fund Manager to ensure it is in line with the investment guidelines of the Fund Board.

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

| | **2023** | 2022 |
|---|---|---|
| Cash and cash equivalents | **73,668,985** | 77,969,374 |
| Investments measured at amortised cost | **127,426,830** | 30,589,609 |
| **Total exposure to credit risk** | **201,095,815** | 108,558,983 |

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 risk are generally managed on the basis of external credit ratings of the counterparties.

*Allowance for impairment*

The Fund has investment in units of mutual fund classified as FVTPL, therefore, no impairment allowance is recorded in these financial statements as per IFRS 9 in respect of this investment. Moreover, the Fund also has investments in Murabaha placements and Sukuk which are measured at amortised cost and the impact of ECL is not material to the financial statements since investments are with counter parties having "A" credit rating. Hence, no impairment allowance is recorded in these financial statements.

## 15. RISK MANAGEMENT POLICIES (CONTINUED)

### *Liquidity risk*

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

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units throughout the week and it is, therefore, exposed to the liquidity risk of meeting unitholders redemptions at any time. As at 31 December 2023 and 31 December 2022, the Fund's cash and cash equivalents, and investments measured at FVTPL are considered to be short-term in nature and realisable. The Fund Manager monitors liquidity requirements on a regular basis and seek to ensure that funds are available to meet commitments as they arise.

The contractual maturity profile of the financial assets and financial liabilities of the Fund is as follows:

| | ***Within 12 months*** | ***After 12 months*** | ***No fixed maturity*** | ***Total*** |
|---|---|---|---|---|
| ***As at 31 December 2023*** | | | | |
| Cash and cash equivalents | **71,871,450** | **--** | **1,797,535** | **73,668,985** |
| Investments measured at FVTPL | **--** | **--** | **21,330,345** | **21,330,345** |
| Investments measured at amortised cost | **120,159,895** | **7,266,935** | **--** | **127,426,830** |
| **Total financial assets** | **192,031,345** | **7,266,935** | **23,127,880** | **222,426,160** |
| | | | | |
| Management fee payable | **351,607** | **--** | **--** | **351,607** |
| Accrued expenses | **15,466** | **--** | **--** | **15,466** |
| **Total financial liabilities** | **367,073** | **--** | **--** | **367,073** |

| | *Within 12 months* | *After 12 months* | *No fixed maturity* | *Total* |
|---|---|---|---|---|
| *As at 31 December 2022* | | | | |
| Cash and cash equivalents | 77,280,293 | -- | 689,081 | 77,969,374 |
| Investments measured at FVTPL | -- | -- | 11,252,957 | 11,252,957 |
| Investments measured at amortized cost | 26,628,898 | 3,960,711 | -- | 30,589,609 |
| Total financial assets | 103,909,191 | 3,960,711 | 11,942,038 | 119,811,940 |
| | | | | |
| Management fee payable | 75,000 | -- | -- | 75,000 |
| Accrued expenses | 11,432 | -- | -- | 11,432 |
| Total financial liabilities | 86,432 | -- | -- | 86,432 |

### *Market risk*

Market risk is the risk that changes in market prices – such as foreign currency risk, special commission rate risk and other price risk – will affect the Fund's income or the fair value of its holdings in financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective as per the Fund's Terms and Conditions. The Fund's market risk is managed on a timely basis by the investment manager in accordance with the policies and procedures in place. The Fund's market positions are monitored on a timely basis by the Fund Manager.

## 15. RISK MANAGEMENT POLICIES (CONTINUED)

### *Market risk (continued)*

*Currency risk*

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

All the transactions of the Fund are carried out in United States Dollars and Saudi Arabian Riyals. As these currencies have no or low volatility with United States Dollars, therefore, there is minimal risk of losses due to exchange rate fluctuations.

*Special commission rate risk*

Special commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates. The Fund do not subject to any special commission rate risk as at 31 December 2023 and 31 December 2022, as all investments measured at amortized cost are at fixed rate.

*Other price risk*

Other price risk is the risk that the value of the Fund's net assets (equity) attributable to the Unitholders will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager daily monitors concentration of risk for equity based on securities and industries in line with defined limits while closely tracking the portfolio level volatilities. As of the statement of financial position date, the Fund has investment in Al Rajhi Saving and Liquidity Fund - SAR ("Investee Fund") which are exposed to other price risk.

The table below sets out the effect on net assets (equity) attributable to the Unitholders of a reasonably possible weakening / strengthening in the individual market prices and special income commission rates of 10% at reporting date. The analysis assumes that all other variables, in particular commission, remain constant.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| ***Effect on net assets (equity) attributable to the Unitholders*** | **+ 0.96%** | **2,133,035** | + 0.94% | 1,125,296 |
| | **- 0.96%** | **(2,133,035)** | - 0.94% | (1,125,296) |

### *Operational risk*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to the Unitholders.

## 15. RISK MANAGEMENT POLICIES (CONTINUED)

***Operational risk (continued)***

The primary responsibility for the development and implementation of control over operational risks rests with the Risk Management team of the fund manager. This responsibility is supported by the development of overall standard for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- documentation of controls and procedures;
- requirements for:
  - appropriate segregation of duties between various functions, roles and responsibilities;
  - reconciliation and monitoring of transactions; and
  - periodic assessment of operational risks faced
- the adequacy of controls and procedures to address the risks identified;
- compliance with regulatory and other legal requirements;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance if this is effective

## 16. EVENTS OCCURING AFTER REPORTING DATE

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

## 17. LAST VALUATION DAY

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

The last valuation day of the period was 31 December 2023 and in lieu of the above circular from CMA, the dealing net assets (equity) value on this day was USD 2,492.01 per unit. The IFRS net assets (equity) value per unit on 31 December 2023 was USD 2,492.01 per unit. Net assets (equity) per unit as per IFRS and dealing net assets (equity) value per unit remained the same due to immaterial ECL provisions under IFRS 9.

## 18. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund’s Board of Directors on 14 Ramadan 1445H (corresponding to 24 March 2024).