MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)

financial statements
For the year ended 31 December 2023
Together with the
Independent Auditor's Report to the Unitholders

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
Financial Statements
For the year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE MEFIC SAUDI RIYAL MURABAHA FUND
REPORT ON THE AUDIT OF THE FINANICAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MEFIC Saudi Riyal Murabaha Fund (the Fund) managed by Middle East Financial Investment Company (the Fund Manager) as of December 31, 2023, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia. And other standards and publications issued by the Saudi Organization for Auditors and Accountants (SOCPA).

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

- The statement of financial position as on December 31, 2023;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets (equity) of unit holders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent from the fund in accordance with the professional code of conduct and ethics that are 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 provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA It is responsible for the internal control it deems necessary to enable it to prepare financial statements free of material misstatements, whether resulting from fraud or error.

In preparing the financial statements, management is responsible for assessing the fund 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 management either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, especially the fund board, are responsible for overseeing the fund financial reporting process.

RIYADH
Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH
Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE MEFIC SAUDI RIYAL MURABAHA FUND
REPORT ON THE AUDIT OF THE FINANICAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 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 fluence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund 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 auditors' report. However, future events or conditions may cause the fund to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF THE MEFIC SAUDI RIYAL MURABAHA FUND
REPORT ON THE AUDIT OF THE FINANICAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

For Al-Bassam & Co.

Ahmed Abdul Majeed Mohandis
Certified Public Accountant
License No. 477
Riyadh: 9 Ramadan 1445H
Corresponding to: 19 March 2024

البسام وشركاه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in Saudi Arabian Riyal)

	Note	**31 December 2023**	31 December 2022
ASSETS			
Cash and cash equivalents		**95,015,915**	-
Accrued profits on Murabaha deposits		**167,738**	
Total assets		**95,183,653**	-
LIABILITIES			
Management fees payable		**-**	-
Total liabilities		**-**	-
Net assets (equity) attributable to the Unit Holders		**95,183,653**	-
Units in issue (number)		**949,735**	-
Net assets (equity) attributable to each unit		**100.22**	-

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyal)

	Note	**31 December 2023**	31 December 2022
Investment income			
Profits from Murabaha deposits		**183,653**	**-**
		183,653	**-**
Expenses			
Management fees		**-**	**-**
Total operating expenses		**-**	**-**
Net income for the year		**183,653**	**-**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**183,653**	**-**

The accompanying notes 1 to 11 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNIT HOLDERS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyal)

	31 December 2023	31 December 2022
Net assets (equity) attributable to the unit holders at the beginning of the year	**-**	**-**
Total comprehensive income for the year	**183,653**	**-**
Contributions and redemptions by the unit holders		
Issuance of units	**96,671,397**	-
Redemption of units	**(1,671,397)**	-
Net changes from unit transactions	**95,000,000**	
Net assets (equity) attributable to the unit holders at the end of the year	**95,183,653**	-

Unit transactions	**31 December 2023**	31 December 2022
	Units	
As at the beginning of the year	**-**	**-**
Issuance of units	**966,447**	-
Redemption of units	**(16,712)**	-
Net changes in number of units	**949,735**	**-**
Net number of units (equity) attributable to the unit holders at the end of the year	**949,735**	-

The accompanying notes 1 to 11 form an integral part of these financial statements.

MEFIC SAUDI RIYAL MURABAHA FUND
Open-Ended Mutual Fund
(Managed by Middle East Financial Investment Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Amounts in Saudi Arabian Riyal)

	Note	**31 December 2023**	31 December 2022
Cash flows from operating activities:			
Net income for the year		**183,653**	**-**
		183,653	**-**
Net changes in operating assets and liabilities:			
Accrued profits on Murabaha deposits		**(167,738)**	**-**
Net cash from operating activities		**15,915**	**-**
Cash flows from financing activities:			
Proceeds from issuance of units		**96,671,397**	**-**
Redemptions of the units		**(1,671,397)**	**-**
Net cash from financing activities		**95,000,000**	**-**
Net changes in cash and cash equivalents		**95,015,915**	**-**
Cash and cash equivalents at beginning of the year		**-**	**-**
Cash and cash equivalents at end of the year		**95,015,915**	**-**

The accompanying notes 1 to 11 form an integral part of these financial statements.

1- FUND AND ITS ACTIVITIES

The MEFIC Saudi Riyal Murabaha Fund (the "Fund") is an Open-Ended Mutual Fund managed through an agreement between Middle East Financial Investment Company (the "Fund Manager") and the Fund investors (the "Unitholders").

The objective of the Fund is to achieve capital growth and provide liquidity through investment in low-risk financial instruments not contradict the principles of Islamic Sharia, as well as achieving a higher return than the standard return, which represents the one-month SAIBOR.

The Fund commenced its operations on 26 Rabi' Al-Awwal, 1432 H) corresponding to 1 March, 2011). Capital Market Authority ("CMA") approval for the establishment of the Fund was granted in its letter number 5/7481 dated 21 Ramadan 1431 H (corresponding to August 31, 2010).

In dealing with the Unitholders, the Fund Management considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund.

2- REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations issued by the CMA. The regulations detail requirements for real estate funds and publicly traded real estate funds within the Kingdom of Saudi Arabia.

The Minister of Finance, pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 (corresponding to December 3, 2022), approved the zakat rules for the investment fund permitted by the Capital Market Authority.

The rules apply from 1 January 2023 and require investment funds to register with the Zakat, Tax and Customs Authority (ZATCA). The rules also require investment funds to submit a zakat information declaration to the Authority within 120 days of the end of their financial year, including audited financial statements, records of transactions with related parties, and any other data required by the Authority. Under the rules, investment funds are not subject to zakat provided that they do not engage in unconditional economic or investment activities in accordance with the terms and conditions approved by the Capital Market Authority. Zakat will be collected from the fund's unit holders.

During the current year, the Fund Manager has completed the Fund's registration with Zakat and will submit the Zakat information declaration in due course.

3- BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Chartered and Professional Accountants ("SOCPA")

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, as amended. Using the accrual basis of accounting except for investments carried at fair value through profit or loss, which are carried at their fair value. The Fund presents its statement of financial position in the order of liquidity.

3- BASIS OF PREPARATION (CONTINUED)

3.3 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates.

Going concern

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 management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

3.4 Material Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

4- MATERIAL ACCOUNTING POLICIES

4.1 New standards, interpretations and amendments

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2022. Certain new standards, amendments and interpretations apply for the first time in 2023, but do not have an impact on the financial statements of the Fund.

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

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

Amendment

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

New amendments to standards issued and applied effective 1 January 2023

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments (continued)

4.1.1 New standards, amendments and revised IFRS issued but not yet effective

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

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

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

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.2 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalent consists cash in investments account and Murabaha deposits with an original maturity of less than three months at the date of acquisition. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

4.3 Financial instruments

4.3.1 Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the instrument. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in the statement of comprehensive income. Allowance for expected credit loss is recognized for financial assets measured at amortized cost, as described in Note 3.4, which results in a financial loss being recognized in the statement of comprehensive income when a new asset is created.

4.3.2 Classification and measurement of financial assets

Equity instruments

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

The Fund classifies its financial assets at fair value through profit or loss (FVPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade.

When this election is used, fair value gains and Losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

• The Fund's business model for managing the asset; and

• The cash flow characteristics of the asset.

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.2 Classification and measurement of financial assets (continued)

Debt instruments (continued)

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortized cost:
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPI), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

FVTPL:
If a financial asset's cash flows do not represent solely SPPI or if it not held within the held to collect or the held to collect and sell business model, then it is measured at FVTPL.

A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income, within “Net gain / (loss) in investments mandatorily measured at FVTPL”, in the period in which it arises. A gain or loss from debt instruments that were designated at fair value, or which are not held for trading are presented separately from debt investments that are mandatorily measured at FVTPL, within “Net gain / (loss) in investments designated at FVTPL”. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

Business model:
The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset’s performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These assets are classified in ‘other’ business model and measured at FVTPL.

***SPPI*:**
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments’ cash flows represent Solely Payment of Principal and Profit (the “SPPI” test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The fund reclassifies debt investments when its business model changes to manage only those assets. The reclassification process takes place from the beginning of the first reporting period after the change. These changes are expected to be very rare and nothing happened during this period.

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Financial instruments (continued)

4.3.3 Impairment of financial assets

The Fund assesses on a forward-looking basis the Expected Credit Loss ("ECL") associated with its financial assets arrived at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4.3.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

(a) Transferred substantially all of the risks and rewards of the asset or

(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

4.3.5. Financial liabilities

The fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability that is derecognized, and the new financial liability on modified terms, is recognized in the statement of profit or loss.

4.4 Trade date accounting

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

4.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Accrued expenses

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

4.7 Provision

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

4.8 Redeemable Units

The fund is open for subscriptions or redemptions of units every business day. The Fund's net asset value is determined on each business day (all of which are valuation days). The fund's net asset value for the purposes of buying or selling units is determined by dividing the net asset value (the fair value of the fund's assets minus the fund's liabilities) by the total number of outstanding fund units on the relevant evaluation day.

The Fund classifies redeemable units as equity instruments if the redeemable units have the following characteristics:
The redeemable units entitle the holder 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 holder’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.

Subscription and redemption of redeemable units are accounted for as transactions between unit holders as long as the units are classified as equity instruments.

4.9 Zakat

According to the zakat rules for investment funds, the fund is not subject to zakat provided that it does not engage in economic or investment activities not stipulated in accordance with the terms and conditions approved by the Capital Market Authority. Zakat will be collected from the fund’s unit holders. The Fund is required to submit an annual Zakat Information Return to the Zakat, Tax and Customs Authority (“ZATCA”). The fund manager has registered the fund and will submit the annual zakat information return to the Authority.

4.10 Revenue recognition

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

4- MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.11 Dividend income

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

4.12 Management fees

The fund manager receives 0.5% annually of the net asset value of the fund.

4.13 Other expenses

The Fund shall pay expenses attributable to the Fund's activities from the Fund's assets up to a maximum of 1% of the Fund's net asset value.
Including, but not limited to: expenses related to the valuation of the fund's assets by third parties, expenses of the Sharia Supervisory Board, financing fees, fees of consultants, tax advisors, legal advisors, other professional advisors and government expenses and fees.

4.14 Net asset 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.

5- MANAGEMENT FEE, CUSTODY AND OTHER CHARGES

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.5% of the Fund's net assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board fees and other similar charges. In addition, on a daily basis the Fund Manager charges the Fund, custody fees of 0.03% per annum of the Fund’s.

6- Cash and cash equivalents

	31 December2023	31 December2022
Murabaha deposits	**95,015,915**	-
	95,015,915	-

* This item represents Murabaha deposits with financial companies, which have dates with an original maturity period of 3 months or less. The effective rate of return on these deposits ranges from 5.65% to 6.38%. During the year, the Fund participated in Murabaha with a total of 95,015,915 riyals. The actual return on these deposits as of December 31, 2023 amounted to 183,653 riyals, and the revenues due on Murabaha deposits as of December 31, 2023 amounted to 167,738 riyals.

The following is a list of these deposits and their due dates:

6- Cash and cash equivalents (CONTINUED)

Description	Deposit date	due date	Actual rate of return	**31 December2023**	31 December2022
Arab Banking Corporation	2023-12-19	2024-01-22	٪6.05	**2,400,000**	**-**
Al Jazeera Bank	2023-12-19	2024-01-24	٪6.10	**2,400,000**	**-**
National Bank of Qatar	2023-12-19	2024-01-23	٪5.90	**2,000,000**	**-**
Arab Bank	2023-12-19	2024-01-23	٪5.90	**2,000,000**	**-**
Al Jazeera Bank	2023-12-21	2024-03-10	٪6.20	**16,000,000**	**-**
National Bank of Qatar	2023-12-21	2024-03-10	٪6.31	**20,000,000**	**-**
Arab Bank	2023-12-21	2024-03-11	٪6.33	**20,000,000**	**-**
The Arab Banking Corporation	2023-12-21	2024-03-11	٪6.38	**20,300,000**	**-**
National bank of Kuwait	2023-12-31	2024-01-08	٪5.65	**9,915,915**	**-**
				95,015,915	**-**

7- TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include are shareholder, the fund manager, and other funds managed by the fund manager. In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund's Board of Directors.

8- FINANCIAL RISK MANAGEMENT

8.1 Financial risk factors

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

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

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

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

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

8- FINANCIAL RISK MANAGEMENT (CONTINUED)

8.1 Financial risk factors (continued)

(a) Market risk

(i) Price risk

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

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Fund has equity investments.

The effect on the net assets value (as a result of the change in the fair value of investments as at 31 December due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants.

(b) 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 on its cash and cash equivalents

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full. The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise. Either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

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

8.2 Fair value estimation

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

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

The fair value hierarchy has the following levels:

8- FINANCIAL RISK MANAGEMENT (CONTINUED)

8.2 Fair value estimation (continued)

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

Investments whose values are based on quoted market prices in active markets

9- SUBSEQUENT EVENTS

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

10- LAST VALUATION DAY

The last evaluation date of the year was December 31, 2023

11- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund's Board on March 13, 2024 (corresponding to Ramadan 3, 1445H).