

Artal Murabaha Fund
(Money Markets Instrument Fund - Public Fund - Open ended)
(Managed by Artal Capital Company)
Interim Condensed Financial Statements (Unaudited)
For the period from 24 Jan 2023 to 30 June 2023
Together with the
Independent Auditor's Review Report to the Unitholders

Artal Murabaha Fund
(Managed by Artal Capital Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (Unaudited)
For the period from 24 Jan 2023 to 30 June 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE UNITHOLDERS OF ARTAL MURABAHA FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of ARTAL MURABAHA FUND“ (the “Fund”), managed by Artal Capital Company (the Fund Manager) as at 30 June 2023 and the related interim statements of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the period from 24 January 2023 to 30 June 2023, and a summary of significant accounting policies and other explanatory notes (the “interim condensed financial statements”). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34- “Interim Financial Reporting” (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

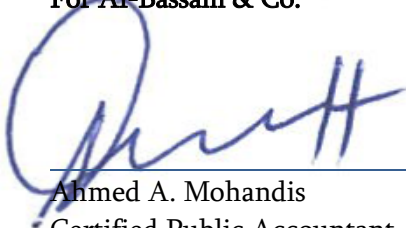
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant

License No. 477

Riyadh: 21 Muharram 1445H

Corresponding to: 8 August 2023



Artal Murabaha Fund
(Managed by Artal Capital Company)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	30 June 2023 (Un-audited)
Assets		
Cash and cash equivalent	5	195,264,492
Investment carried at amortized cost – Murabaha Deposits	6	319,152,103
Prepayments and other assets	7	5,084,278
Total assets		519,500,873
Liabilities		
Accrued expenses and other liabilities		90,845
Total liabilities		90,845
Net assets (Equity) attributable to the Unit holders		519,410,028
Units in issue (in numbers)		
Class A	8	7,963,077
Class B	8	42,779,966
Net assets (Equity) value per unit		
Class A		10.24
Class B		10.24

The accompanying notes from 1 to 13 form an integral part of these financial statements.

Artal Murabaha Fund
(Managed by Artal Capital Company)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

As at 30 June 2023

(Amounts in Saudi Arabian Riyals)

	<i>Notes</i>	For the period from 24 Jan 2023 to 30 June 2023 (Un-audited)
Income		
Murabaha Deposits Interest Income	6	7,133,500
Realized gain on disposal of investments carried at FVTPL		<u>3,910</u>
		7,137,410
Expenses		
Administration fee		(96,315)
Custodian fee		(21,840)
Other expenses		<u>(86,873)</u>
Total expenses		(205,028)
Net income for the period		<u>6,932,382</u>
Other comprehensive income for the period		<u>-</u>
Total comprehensive income for the period		<u>6,932,382</u>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

Artal Murabaha Fund
(Managed by Artal Capital Company)

INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO
THE UNITHOLDERS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

	For the period from 24 Jan 2023 to 30 June 2023 (Un-audited)
	<i>Note</i>
Net assets (Equity) attributable to the Unit holders at the beginning of the period	-
Total comprehensive income for the period	6,932,382
Contributions and redemptions by the unitholders	
Issuance of units	603,287,550
Redemption of units	(90,809,904)
Net changes from unit transactions	512,477,646
Net assets (Equity) attributable to the Unit holders at the end of the period	519,410,028

Artal Murabaha Fund
(Managed by Artal Capital Co.)

INTERIM STATEMENT OF CASH FLOWS
For the period from 24 Jan 2023 to 30 June 2023
(Amounts in Saudi Arabian Riyals)

	For the period from 24 Jan 2023 to 30 June 2023 (Un-audited)
	<i>Notes</i>
Cash flows from operating activities:	
Net income for the period	6,932,382
<i>Adjustment for:</i>	
Unrealized loss from investments carried at FVTPL	-
	<u>6,932,382</u>
Net changes in operating assets and liabilities:	
Investments carried at amortized cost – Murabaha	6 (319,152,103)
Prepayments and other assets	7 (5,084,278)
Accrued expenses and other liabilities	90,845
Net cash used in operating activity	<u>(317,213,154)</u>
Cash flows from financing activities:	
Issuance of units	603,287,550
Redemption of units	(90,809,904)
Net cash from financing activities	<u>512,477,646</u>
Net increase in cash and cash equivalents	195,264,492
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	5 <u>195,264,492</u>

The accompanying notes from 1 to 13 form an integral part of these financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

1. FUND AND ITS ACTIVITIES

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

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

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

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

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

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

The interim condensed financial statements for the period from January 24, 2023 to June 30, 2023 are the initial statements of the Fund.

2. REGULATORY AUTHORITY

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The results for the period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial period ending 31 December 2023.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.4 Critical accounting judgments, estimates and assumption

The preparation of these interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

3.5 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. Accordingly, these interim condensed financial statements have been prepared on a going concern basis.

4 SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

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

Financial instruments

Initial recognition and measurement

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification and measurement of financial assets

Classification of financial assets

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

Financial asset at amortized cost

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

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

Financial asset at fair value through other comprehensive income (“FVOCI”)

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

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

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

Financial asset at fair value through profit or loss (“FVTPL”)

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

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

The classification requirements for debt instruments are described below.

Equity instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

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

- Transferred substantially all of the risks and rewards of the asset or
- Neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is 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.

Impairment of financial assets

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

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

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

Financial liabilities

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

Trade date accounting

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

Offsetting of financial instruments

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

This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redeemable Units

Redeemable units are classified as equity instruments when:

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

In addition to the redeemable units having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

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

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

Accrued expenses and other payables

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

investment transactions

Investment transactions are recognized on a trade date basis.

Management fees and Other expenses

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

Management fees are calculated on a daily basis based on the net asset value of the fund and are deducted monthly as below:

Class	Percentage
A	0.5%
B	0%

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat

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

Net asset value

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

Dividend income

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

Revenue recognition

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

Provision

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

Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss (“FVTPL”)

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

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

New standards, interpretations and amendments

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

Artal Murabaha Fund
(Managed by Artal Capital Co.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

5. CASH AND CASH EQUIVALENTS

	30 June 2023 (Un-audited)
Cash at bank	107,080
Deposits Murabaha - Maturity within 3 months (Disclose No. 6)*	195,157,412
	<u>195,264,492</u>

* These Deposits Murabaha have an original maturity of 3 months or less from the date of placements and carry special commission rate of 5.35% - 5.88% per annum.

6. INVESTMENTS CARRIED AT AMORTIZED COST –MURABAHA DEPOSITS

	30 June 2023 (Un-audited)
Al Rajhi Bank	80,314,354
Arab National Bank	7,800,000
Bank ABC	46,000,000
Bank Al Jazira	107,125,165
Banque Saudi Fransi	11,581,481
ENBD-KSA	40,000,000
Gulf International Bank	73,967,015
Qatar National Bank	124,621,500
The Saudi Investment Bank	22,900,000
	<u>514,309,515</u>

	30 June 2023 (Un-audited)
Maturity within 3 months (Disclose No. 5)*	195,157,412
Maturity within 3 – 12 months	319,152,103

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

6.1 The rate of profit on Murabaha deposits ranges from 5.52% to 5.90% per annum and all the Murabaha deposits will be matured within a period of less than 12 months.

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

	30 June 2023 (Un-audited)
Carrying amount as at 24 January	-
Additions during the period	1,343,669,861
Matured during the period	(829,360,346)
Murabaha profit recognized during the period (Disclosure No.10)	7,133,500
Murabaha profit received during the period	(2,061,185)
Accrual Interest during the period (Disclosure No. 7)	(5,072,315)
Carrying amount as at the period end	<u>514,309,515</u>

Artal Murabaha Fund
(Managed by Artal Capital Co.)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

7. PREPAYMENT AND OTHER ASSETS

	30 June 2023
	(Un-audited)
Accrued Murabaha Deposits Interest (Disclosure No.6)	5,072,315
Prepaid expenses	11,963
	<u>5,084,278</u>

8. UNIT TRANSACTIONS

The following represents the subscriptions paid and committed as at:

	30 June 2023
	(Un-audited)
	<i>(Units in numbers)</i>
Units at the beginning of the period	-
Units issued during the period	59,735,624
Units redeemed during the period	<u>(8,992,581)</u>
Net change in units	<u>50,743,043</u>
Units at the end of the period	<u>50,743,043</u>

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

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

	30 June 2023	
	(Un-audited)	
	<u>(Units in numbers)</u>	<u>Amounts</u>
Class A		
Subscription	8,363,162	84,225,000
Redemption	<u>(400,085)</u>	<u>(4,081,000)</u>
	<u>7,963,077</u>	<u>80,144,000</u>
Class B		
Subscription	51,372,462	519,062,550
Redemption	<u>(8,592,496)</u>	<u>(86,728,904)</u>
	<u>42,779,966</u>	<u>432,333,646</u>
	<u>50,743,043</u>	<u>512,477,646</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

9. TRANSACTIONS AND BALANCE 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. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include Artal Capital Company (“the Fund Manager”), affiliates of the Fund Manager, the Funds managed by the Fund Manager and the Unitholders of the Fund.

The Fund transacts business with related parties in the ordinary course of its activities.

- Significant transactions with the related party during the Period:

Related party name	Nature of Relationship	Nature of transaction	Amount of the transaction during the period from 24 Jan 2023 to 30 June 2023 (Un-audited)
Board of Directors	Board of Directors members	Board Fees Expenses	(4,000)

* The Fund Manager has waived the management fees due from Class A unitholders for the period ended on 30 June 2023.

10. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2023 (Un-audited)	Amortized cost	FVPTL
As per interim statement of financial position		
Assets		
Cash and cash equivalent	195,264,492	-
Investments carried at amortized cost – Murabaha	319,152,103	-
Prepayments and other assets	5,084,278	-
Total	519,500,873	-

All financial liabilities as at 30 June 2023, were classified as financial liabilities carried at amortized cost.

11. FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

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

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

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

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

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

a) Market risk

(i) Foreign exchange risk

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

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

(ii) Commission rate risk

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

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

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Price risk

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

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

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

The Fund Manager reviews credit concentration of the investment portfolio based on counterparties. The credit quality of the financial assets is managed using the ratings from reputable credit ratings agencies. As at 30 June 2023, the Fund has investments measured at amortized cost with the following credit quality:

Rating of financial institution	30 June 2023 (Unaudited)
Cash at Bank	
A3 (Moody's)	107,080
	107,080
Murabaha placements	
A1(Moody's)	80,314,354
A2(Moody's)	59,381,481
A3(Moody's)	22,900,000
Aa3(Moody's)	124,621,500
Baa1(Moody's)	181,092,180
BBB- (S&P)	46,000,000
	514,309,515

(c) Liquidity risk

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

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

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

(e) Operational risk

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the period from 24 Jan 2023 to 30 June 2023

(Amounts in Saudi Arabian Riyals)

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

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

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

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the end of

the reporting period during which the change occurred. During the period, there was no transfer in fair value hierarchy for the financial assets held at fair value through profit or loss.

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

12. SUBSEQUENT EVENTS

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

13. APPROVAL OF FINANCIAL STATEMENT

These interim condensed financial statements were approved and authorized for issue by the Fund's Board on 19 Muharram 1445H corresponding to 6 August 2023.