

Annual Report  
SAB Invest Sukuk Fund  
2023

**\* All reports are available upon request free of charge.**

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## (a) Fund Information

### 1- Fund Name

SAB Invest Sukuk Fund

### 2- Investment Objectives and Policies

The Fund is an open-ended investment Fund that aims to achieve income and capital growth over the long term, by investing in Sukuk issued domestically and globally, Murabaha funds, Murabaha operations and Sharia-compliant certificates.

### 3- Income & Gains Distribution Policy

The Fund will distribute the income to the Unitholders on a quarterly basis subject to the consent of the Board of Directors.

### 4- Description of the Fund's Benchmark

The Fund's performance is measured against the performance of a weighted index including Dow Jones Sukuk Index (95%) and SOFR for Overnight + 0.05575%.

## (B) Fund Performance

	2021	2022	2023
Net Asset Value at the end of the year	58,585,089	51,902,314	50,658,793.30
Net Asset Value per Unit at the end of the year	9.6114	8.8620	8.9966
Highest Net Asset Value per Unit	10.2097	9.6062	9.0288
Lowest Net Asset Value per Unit	9.0571	8.7612	8.6545
Number of Issued Units at the end of the Year	6,095,401	5,856,727	5,630,865.68
Value of Distributed Dividends per unit (if any)	0.24	0.28	0.28
Expenses Ratio	1.01%	0.92%	0.91%
Percentage of Assets Borrowed from the Asset Value, Exposure Period and Maturity Date	-	-	-

- **Fund Performance During the Past Three Years (USD) Fund Returns**

	One Year	Three Years	Five Years	Since Inception
<b>Fund Returns</b>	4.75%	-1.81%	6.99%	22.02%
<b>Benchmark Returns</b>	1.87%	-10.32%	-0.38%	-0.14%

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Fund Return</b>	2.62%	0.81%	1.79%	1.49%	1.32%	7.35%	-0.70	-2.10%	-4.85%	4.75%

- **Fees and Expenses**

Type of Expenses or Commission (Including VAT, if any)	Value in USD	Percentage according to Fund Asset Average
Fund Management Fees	417,763	0.81%
Custodian Fees	11,139	0.02%
Administrative Services Fees	31,264	0.06%
Auditor's Fees	10,175	0.02%
Independent Board Members' Remuneration	4,313	0.01%
CMA Fees	2,000	0.00%
Tadawul Fees	1,533	0.00%
Expected Credit Losses Provision	-	-
Other Expense (+ redemption fees income)	(9,722)	-0.02%

### 3- Material changes that affected the Fund performance

No material changes affected the Fund performance in 2023.

### 4- Annual Voting Practices

Not Applicable

## 5- Fund Board of Directors' Annual Report

### (a) Names and Types of Membership of the Board Members:

- Hamad Ibrahim Al-Washmi, Chairman of the Board of Directors, (a non-independent Board member);
- Tariq Saad Abdul Aziz Al-Tuwaijri, (an independent Board member);
- Ali Saleh Al-Othaim, (an independent Board member)\*;
- Abdulrahman Al-Mudaimigh, (an independent Board member); and
- Rehab Saleh Al-Khudair, (a non-independent Board member)\*\*.

\* Member of the Board of Directors, Ali Saleh Ali Al-Othaim - an independent member, was removed as of 01/05/1445 AH, corresponding to 07/23/2023 AD.

\*\* Member of the Board of Directors, Rehab Saleh Al-Khudair - a non-independent member, resigned as of 02/15/1445 AH, corresponding to 08/31/2023 AD.

Names of Members of the Fund's Board of Directors	Experience and qualifications	Current position
<b>Hamad Ibrahim Al-Washmi (Chairman of the Board of Directors – Non-Independent Member)</b>	<ul style="list-style-type: none"> <li>- Chief Risk and Compliance Officer, HSBC Saudi Arabia (2021)</li> <li>- Member of Audit Committee, Najm Insurance Co. (2020)</li> <li>- Head of Compliance, HSBC Saudi Arabia (2018)</li> <li>- Head of Customer Experience, SABB Customer Experience Department, SABB Bank (2016)</li> <li>- International Assignment with the Global Compliance Department, HSBC Holdings PLC, London, United Kingdom (2016)</li> <li>- Head of RBWM Compliance, Compliance Department, SABB (2014)</li> <li>- Senior Manager, Business Performance &amp; Planning – Retail Banking &amp; Wealth Management, SABB (2010)</li> <li>- Manager Business Performance &amp; Planning, SABB (2009)</li> <li>- Relationship Manager – Large Corporate and Government Entities, Arab National Bank (2003)</li> <li>- Consumer Loans Credit Officer, Arab National Bank (2002)</li> <li>- Recommendation &amp; Call Verification Units Supervisor, Arab National Bank (2002)</li> <li>- Package Account Unit Supervisor, Arab National Bank (2002)</li> <li>- Showroom Manager, Jarir Bookshop (2000)</li> <li>- MBA, University of San Diego, School of Business Administration, San Diego (2009)</li> <li>- Bachelor of Science in Business Administration (2000)</li> </ul>	Chief Compliance Officer, Al Rajhi Bank (2023)
<b>Rehab Alkhudair (Non-Independent Member)</b>	<ul style="list-style-type: none"> <li>- Chief Operating Officer Asset Management, HSBC Saudi Arabia (2020)</li> <li>- Senior Investment Performance Analysis Manager– Asset Management Department, HSBC Saudi Arabia (2019)</li> <li>- Performance Analyst – Asset Management Department, HSBC Saudi Arabia (2016)</li> <li>- Assistant Performance Analyst – Asset Management Department, HSBC Saudi Arabia (2014)</li> <li>- Assistant Manager, Regulatory Compliance, HSBC Saudi Arabia (2014)</li> <li>- Assistant Financial Analyst - Treasury &amp; Investments, Riyadh Bank (2012)</li> <li>- Master Degree in Finance Management, Durham University, United</li> </ul>	Chief Operating Officer Asset Management, SAB Invest (2022)

	Kingdom (2013) - BBA, Finance (with honors degree), Al Yamamah University, Saudi Arabia (2010)	
<b>Tariq Saad Abdul-Aziz Al-Tuwaijri (Independent Member)</b>	- Director of Equity Investments at Nessel Holding Company (2010) - Deputy General Executive President of Mediation at Wasatah Capital Company (2008) - Senior Mediator at Al Jazeera Capital (2004) - Relations Director - Banking Services of Samba Financial Group (1998) - Bachelor of Business Administration from the Open Arabian University (2015) - General Institute of Technical Education and Vocational Training, Diploma of Business Administration (2010)	Head of the Nomination and Compensation Committee, Non-Independent Member of the Board of Directors of Thoub Al Asil Company and Member of the Saudi Economics Association (2018)
<b>Ali Saleh Ali Al-Othaim (Independent Member)</b>	- Member of the Board Directors of Al Khair Capital (2012) - Member of the Board of Directors of the Chamber of Commerce and Industry, Riyadh (2003) - Member of the Board of Directors of Al Othaim Commercial Group (1998) - Deputy President of Al Othaim Jewelry (formerly) (1994) - Bachelor of Business Administration, Major: Financial Management, King Saud University (1998)	Businessman
<b>Abdulrahman Ibrahim Al-Mudaimigh (Independent Member)</b>	- Board member of National Building and Marketing Company (2019) - Chairman of Future Ceramics (2019) - Board member of National Gypsum Company (2019) - Board member of Impact Capital Company (2019) - Board member of FIPCO (2019) - Board member of AL Maather REIT Fund (2017) - CEO of Watar Partners for Business Trading Company (2017) - Acting CEO of Bawan Company (2016) - Deputy President of Business Development for Bawan Company (2011) - Founding partner, General Manager of Bina Holding Company (2007) - Senior credit analyst for the Industrial Development Fund (2004) - MBA from London Business School (2018) - Bachelor degree in Financial Management from Prince Sultan University (2004)	Executive partner of Watar Partners for Business Trading Company (2017)

#### **(b) Roles and Responsibilities of the Fund Board of Directors**

Responsibilities of the Fund Board Members include without limitation:

- Approving all contracts, decisions and material reports to which the Fund is a party.
- Approving a written policy with regard to the voting rights in respect of Fund assets.
- Supervising and, where appropriate, approving any conflict of interest disclosed by the Fund Manager pursuant to Article (13) of the IFR.

- Holding, twice a year at least, a meeting with the Conformity and Compliance Committee at the Fund Manager, or the officer in charge of Conformity and Compliance at the Fund Manager, in order to review compliance by the Fund with all relevant laws and regulations.
- Recognizing any recommendation raised by the liquidator, in case a liquidator is appointed.
- Ensuring completion and accuracy of the Fund Terms and Conditions and any other document involving disclosures in connection with the Fund and the Fund Manager as well as its management of the Fund and the amended Investment Funds Regulations.
- Ensuring that the Fund Manager is fulfilling its responsibilities in a way realizing the interests of the Unitholders pursuant to the Fund Terms and Conditions, and the amended provisions of the Investment Funds Regulations.
- Working honestly, in good faith, and exerting diligence, skill and care, and in a way realizing the interests of the Unitholders.
- Recording the minutes of meetings showing all the occurrences affecting the meetings and decisions taken by the Board.
- Approving delegating the powers and authorities of the Fund Manager to other financial institutions in order to function as adviser, sub-manager, custodian, agent or mediator after having obtained the approval by CMA.
- Approving the appointment of the Auditor.
- Approving the services authorized by the Manager in respect of keeping the books, subscription, redemption, sale and purchase and financial transfers, confirmation and information affecting the investments in response to the subscribers' inquiries. Assuming the tasks of follow-up and control of the Fund's performance, and ensuring that the Fund Manager carries out its responsibilities in a way realizing the interests of the Unitholders, pursuant to the Terms and Conditions of the Fund, the Information Memorandum, the relevant documentation and the provisions of the Investment Fund Regulations.

**(c) Particulars of the Fund Board Members' Remuneration**

Remuneration of the Board independent members shall be paid by the Fund. The Fund will pay any expenses of the Fund Board of Directors.

**(d) Statement of any real or potential conflict of interest between the interests of a Fund board member and those of the Fund:**

There is no real or potential conflict between the interest of any Board member and the interests of the Fund.

(f) All Fund Boards of Directors in which the relevant Board Member participates:

Fund Name	Hamad Al-Washmi	Rehab Al-Khudair	Tariq Al-Tuwajiri	Ali Saleh Al-Othaim	Abdulrahman Al-Mudaimigh
SAB Invest Saudi Riyal Murabaha Fund	√	√	√	√	√
SAB Invest US Dollar Murabaha Fund	√	√	√	√	√
SAB Invest Saudi Equity Fund	√	√	√	√	√
SAB Invest Saudi Equity Income Fund	√	√	√	√	√
SAB Invest Saudi Financial Institutions Equity Fund	√	√	√	√	√
SAB Invest Saudi Companies Equity Fund	√	√	√	√	√
SAB Invest Saudi Industrial Companies Equity Fund	√	√	√	√	√
SAB Invest Saudi Construction and Cement Equity Fund	√	√	√	√	√
SAB Invest Global Equity Index Fund	√	√	√	√	√
SAB Invest GCC Equity Fund	√	√	√	√	√
SAB Invest China and India Equity Freestyle Fund	√	√	√	√	√
SAB Invest Multi-Assets Defensive Fund	√	√	√	√	√
SAB Invest Multi-Assets Balanced Fund	√	√	√	√	√
SAB Invest Multi-Assets Growth Fund	√	√	√	√	√
SAB Invest Saudi Freestyle Equity Fund	√	√	√	√	√
SAB Invest MSCI Tadawul 30 Saudi ETF	√	√	√	√	√
SAB Invest Sukuk Fund	√	√	√	√	√
SAB Invest GCC Equity Income Fund	√	√	√	√	√



**G- Subjects Discussed and Resolutions passed thereon including the fund Performance and Attainment of its Objectives**

No	Discussed Points within Boards' Meetings
1	Mutual fund performance
2	Service providers assessment
3	Risk procedures
4	Mutual fund breaches (if any)
5	Valuation errors (if any)
6	Changes in the terms & conditions of the mutual fund
7	Evaluating the efficiency of the fund's board of directors in supervising the funds
8	Evaluation of the external brokers for mutual fund execution
9	Counterparty limits

**C- Fund Manager**

SAB Invest

**1- Address**

Head Office, Olaya Street  
Riyadh 11431-1467,  
Kingdom of Saudi Arabia,  
Unified Number: +966114163133  
Fax: +966 112169102  
Website: [www.sabinvest.com](http://www.sabinvest.com)

**2- Fund Sub-Manager and/or Investment Advisor (if any)**

Not Applicable

**3- Investment Activities during the Period**

During 2023, SAB Invest Sukuk Fund moved to holding USD denominated sukuk to improve liquidity and price discovery. For SAR exposure, floating rate SAR sukuk continued to be a preferred choice to manage duration of the fund.

#### 4- Report on the Fund Performance during the Period

Despite increase in interest rates, the Sukuk Fund posted positive performance, as fund duration was maintained at low levels. US interest rates continued to rise and then stabilized as the US Federal reserve paused as inflation started softening. US 10-Year treasuries increased from around 3.74% at beginning of the year to close at 3.88% at the end of the year, touching a high of 4.98%. The Fund declared four dividends during the year. The total of the four dividends amounted to USD 0.280/unit. During the year, the Fund posted a gain of 4.75%; whereas, the benchmark increased by 1.87%.

#### 5- Any Changes made to the Terms and Conditions of the Fund during the Period

Changes Details	Effective Date
Apply the new brand and new identity of the SAB Invest	4-Apr-23
Redrafting some of the T&C article	1-Aug-23
Amendment to the fee and expense of the Fund	
Adding the tasks assigned by the fund operator to the sub-fund operator assigned to the fund	
Amendment to the Shariah Board of the Fund	
Add the fund' tax advisor information	

#### 6- Any Additional Information that May Enable Unit Holders to Make Informed Decisions that are Based on Sufficient Information about the Fund Activities during the Period

None

#### 7- Percentage of Management Fees calculated on the Fund itself and other funds that the Fund is investing in (if the fund is substantially investing in other investment funds)

The Fund does not invest substantially in any other funds

#### 8- Special commission received by fund manager during the period

None

#### 9- Any other data or information that shall be included in this Report according to these Regulations

None

#### 10- Management Term of the Person Recorded as the Fund Manager

Eleven Years

**11- Expense ratio of each underlying fund at the end of the year and weighted average expense ratio of all underlying funds**

Not Applicable

**(D) Custodian**

Albilad Capital Company

**1- Address**

Albilad Capital, Head Office  
King Fahd Road, P.O. Box: 140, Riyadh 11411,  
Kingdom of Saudi Arabia  
Uniform No. 920003636  
Fax: +966112906299  
Website: [www.albilad-capital.com](http://www.albilad-capital.com)

**(2) Concise Description of the Custodian's main roles and responsibilities**

- Take custody of the assets of the Investment Fund;
- Open a separate account under its name with a local bank in favor of the Fund;
- Segregate the Fund's assets and register Fund securities under its name for the benefit of the Investment Fund;
- Maintain all necessary documents to support the performance of its contractual responsibilities towards the Fund.
- Deposit all cash belonging to the Fund into the relevant bank account; and
- Manage the Fund cash i.e. deduct the investment amounts and Fund expenses in accordance with the Fund's Terms and Conditions and the Information Memorandum.
- The Custodian shall be liable to the Fund Manager and Unitholders for its obligations pertaining to any losses caused to the Investment Fund due to the Custodian fraud, negligence, willful misconduct or default.
- The Custodian shall be liable for taking custody of, and protecting the Fund's assets on behalf of Unitholders.
- The Custodian shall be liable for taking all necessary administrative measures in relation to the custody of the Fund's assets.

## **(E) Fund Operator**

### **SAB Invest**

#### **1- Address**

Head Office, Olaya Street  
Riyadh 11431-1467,  
Kingdom of Saudi Arabia,  
Unified Number: +966114163133  
Fax: +966 112169102  
Website: [www.sabinvest.com](http://www.sabinvest.com)

#### **(2) Concise Description of the Fund Operator main roles and responsibilities**

- The Fund Operator shall be responsible for operating the Fund; the Fund Operator shall:
- Keep the books and records related to the Fund operation;
- Prepare and update the unit subscribers record and maintain it in the Kingdom according to the Investment Fund Regulations;
- Be liable for the distribution of dividends, if any, according to the distribution policy provided for under the Terms and Conditions;
- Conclude the subscription and redemption procedures provided for under these Terms and Conditions; and
- Fully and fairly evaluate the Fund assets and calculate the Fund unit price.

#### **(F) Auditor:**

Ernst & Young & Co.  
Olaya Street, 14<sup>th</sup> Floor, Al Faisaliah Office Tower, Riyadh,  
P.O. Box 12212,  
Kingdom of Saudi Arabia  
Telephone: + 9662159898

#### **(G) Financial Statements**

Attached

**SAB Invest Sukuk Fund**  
**(Managed by SAB Invest)**

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT**

**31 DECEMBER 2023**



**ERNST & YOUNG PROFESSIONAL SERVICES (PROFESSIONAL LLC)**  
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## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF SAB INVEST SUKUK FUND (MANAGED BY SAB INVEST)**

### **Opinion**

We have audited the financial statements of SAB Invest Sukuk Fund (the "Fund") managed by SAB Invest (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing 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 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 is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information included in the Fund's 2023 Annual Report**

The Fund manager is responsible for the other information in the Fund's annual report. Other information consists of the information included in the Fund's 2023 annual report, other than the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### **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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the Investment Funds Regulations issued by the Board of the Capital Market Authority, and the Fund's terms and conditions and the Information Memorandum, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF SAB INVEST SUKUK FUND  
(MANAGED BY SAB INVEST) (continued)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements  
(continued)**

In preparing the financial statements, management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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

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

International Standards on Auditing 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services

Fahad M. Al-Toaimi  
Certified Public Accountant  
License No. 354

Riyadh: 18 Ramadan 1445H  
(28 March 2024)





**SAB INVEST SUKUK FUND**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2023

	<i>Notes</i>	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
<b>ASSETS</b>			
Cash and cash equivalents		<b>2,213,015</b>	621,553
Financial assets at fair value through profit or loss (“FVTPL”)	5	<b>4,838,702</b>	3,034,138
Financial assets at fair value through other comprehensive income (“FVOCI”)	6	<b>44,089,723</b>	48,911,577
Receivables and advances		<b>913,720</b>	-
<b>TOTAL ASSETS</b>		<b>52,055,160</b>	52,567,268
<b>LIABILITIES</b>			
Management fees payable		<b>37,412</b>	45,277
Dividends payable	13	<b>394,161</b>	578,297
Payable against purchased securities		<b>929,410</b>	-
Accrued expenses		<b>35,384</b>	41,380
<b>TOTAL LIABILITIES</b>		<b>1,396,367</b>	664,954
<b>EQUITY</b>			
Equity attributable to unitholders of redeemable units		<b>50,658,793</b>	51,902,314
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>52,055,160</b>	52,567,268
Redeemable units in issue		<b>5,630,866</b>	5,856,727
Net asset value attributable to each per unit		<b>9.00</b>	8.86

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

# SAB INVEST SUKUK FUND

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>USD</b>	<b>2022</b> <b>USD</b>
<b>INCOME</b>			
Special commission income from investments at FVOCI		<b>2,122,194</b>	1,958,977
Unrealised gain on financial assets at FVTPL		<b>97,848</b>	42,220
Realised gain on financial assets at FVTPL		<b>52,232</b>	16,636
Realised loss on disposal of and maturity of financial assets at FVOCI		<b>(1,964,551)</b>	(651,030)
Net exchange loss		<b>(4,552)</b>	(506)
Other income		<b>23,211</b>	-
<b>TOTAL INCOME</b>		<b>326,382</b>	1,366,297
<b>EXPENSES</b>			
Management fees	7	<b>417,763</b>	449,524
Impairment charge for expected credit losses	6	<b>253,897</b>	30,501
Other expenses		<b>73,913</b>	65,642
<b>TOTAL EXPENSES</b>		<b>745,573</b>	545,667
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(419,191)</b>	820,630
<b>OTHER COMPREHENSIVE INCOME:</b>			
Movement in unrealised gain/(loss) on financial assets at FVOCI – debt instruments		<b>2,541,105</b>	(3,699,134)
Movement in allowance for expected credit losses on financial assets at FVOCI – debt instruments		<b>253,897</b>	30,501
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>2,795,002</b>	(3,668,633)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>		<b>2,375,811</b>	(2,848,003)

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

# SAB INVEST SUKUK FUND

## STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS

For the year ended 31 December 2023

	<i>2023</i> <i>USD</i>	<i>2022</i> <i>USD</i>
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>51,902,314</b>	58,585,089
Net (loss) income for the year	(419,191)	820,630
Net unrealised gain including transfer of fair value reserves on investments at FVOCI – debt instrument	2,541,105	(3,699,134)
Movement in expected credit losses on investments at FVOCI – debt instrument	253,897	30,501
Dividend distributions during the year (Note 14)	(1,600,002)	(1,719,735)
<b>Total comprehensive income (loss) for the year</b>	<b>775,809</b>	(4,567,738)
<b>ISSUANCE AND REDEMPTION OF UNITS</b>		
Issue of units during the year	9,811,000	9,885
Redemption of units during the year	(11,830,330)	(2,124,922)
Net change from unit during the year	(2,019,330)	(2,115,037)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>50,658,793</b>	51,902,314
	<u><i>Units</i></u>	<u><i>Units</i></u>
<b>REDEEMABLE UNIT TRANSACTIONS</b>		
Transactions in redeemable units during the year are summarised as follows:		
<b>UNITS AT THE BEGINNING OF THE YEAR</b>	<b>5,856,727</b>	6,095,402
Issue of units during the year	1,117,882	1,125
Redemption of units during the year	(1,343,743)	(239,800)
Net decrease in units	(225,861)	(238,675)
<b>UNITS AT THE END OF THE YEAR</b>	<b>5,630,866</b>	5,856,727

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

**SAB INVEST SUKUK FUND**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>USD</b>	<b>2022</b> <b>USD</b>
<b>OPERATING ACTIVITIES</b>			
Net (loss) / income for the year		<b>(419,191)</b>	820,630
<i>Adjustments to reconcile net (loss) / income to net cash flows from operating activities:</i>			
Movement in unrealised gain on financial assets at FVTPL		<b>(97,848)</b>	(42,220)
Impairment (reversal of) / charge for expected credit losses		<b>253,897</b>	30,501
		<b>(263,142)</b>	808,911
<i>Working capital adjustments:</i>			
Financial assets at FVTPL		<b>(1,706,716)</b>	325,454
Investments at FVOCI		<b>(1,046,284)</b>	3,972,724
Investments at Amortised Cost		<b>8,409,243</b>	(1,151,746)
Receivables and advances		<b>(913,720)</b>	221
Management fee payable		<b>(7,865)</b>	32,219
Payable against purchased securities		<b>929,410</b>	-
Accrued expenses		<b>(5,996)</b>	21,203
Net cash flows from operating activities		<b>5,394,930</b>	4,008,986
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		<b>9,811,000</b>	9,885
Payment on redemption of units		<b>(11,830,330)</b>	(2,124,922)
Dividends paid	13	<b>(1,784,138)</b>	(1,507,162)
Net cash flows used in financing activities		<b>(3,803,468)</b>	(3,622,199)
<b>Net increase in cash and cash equivalents</b>		<b>1,591,462</b>	386,787
Cash and cash equivalents at the beginning of the year		<b>621,553</b>	234,766
<b>Cash and cash equivalents at the end of the year</b>		<b>2,213,015</b>	621,553
<b><u>Supplemental cash flow information:</u></b>			
Special commission income received		<b>2,162,162</b>	1,929,869

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

# SAB INVEST SUKUK FUND

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 1. INCORPORATION AND ACTIVITIES

SAB Invest Sukuk Fund (the “Fund”) is an investment fund created through an agreement between SAB Invest (the “Fund Manager”) and investors (the “Unitholders”) in the Fund. The address of the Fund Manager is as follows:

SAB Invest, Head Office  
Olaya Main Street P.O. Box 1467  
Riyadh – 11431  
Kingdom of Saudi Arabia

The objective of the Fund is to achieve long term capital appreciation, through investing in Shariah-compliant Sukuks.

SAB Invest Operations were appointed as Operator – Administrator of the fund in which AMO has appointed a Sub-Admin.

The Fund is managed by the Fund Manager. Albilad Capital is acting as the custodian of the Fund. The Fund is an income-distributing Fund, whereby any income earned by the Fund is distributed to the Unitholders at least on semi-annual basis. Any such income distribution by the Fund, however, will solely be at the discretion of the Fund Board of Directors.

### 2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the “Regulations”) detailing requirements for all investments funds operating within the Kingdom of Saudi Arabia and published by the Capital Market Authority (the “CMA”) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006). The Regulations were further Amended by Resolution of the Board of the Capital Market Authority Number 2-22-2021 Dated 12/7/1442H. Corresponding to 24/2/2021G (the “Amended Regulations”). The amended regulations are effective from 19 Ramadan 1442, corresponding to 1 May 2021).

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

#### 3.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in the KSA”) and applicable provisions of Investment Fund Regulations issued by the board of Capital Market Authority and the funds terms and conditions and information memorandum.

#### 3.2 Basis of preparation

The financial statements have been prepared on a historical cost basis, using the accrual basis of accounting except for financial assets held at FVTPL and at FVOCI that are measured at fair value. These financial statements are presented in US Dollars (“USD”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest USD.

#### 3.3 Material accounting policies

The following are the material accounting policies applied by the Fund in preparing its financial statements.

##### *Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as “cash and cash equivalents”.

For the purpose of the statement of cash flows, cash and cash equivalents includes bank balances.

#### *Financial instruments*

##### *(i) Classification*

In accordance with IFRS 9, the Fund classifies its financial assets at initial recognition as amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

#### Financial assets at amortised cost

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.

Financial assets measured at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

#### Financial assets at FVOCI

##### Debt Instruments

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.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income.

#### Equity instruments

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

# SAB INVEST SUKUK FUND

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

##### *Financial instruments (continued)*

##### Financial assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

##### *(ii) 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 information is provided to management. 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's management.
- 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 realised.

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 originated or newly purchased financial assets going forward.

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

##### *(iii) Assessment of whether contractual cash flows are solely payments of principal and interest*

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

In assessing whether the contractual cash flows are solely payments of principal and interest, 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. In making the assessment, the Fund considers:

# SAB INVEST SUKUK FUND

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

##### *Financial instruments (continued)*

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

##### *(iv) Classification of financial liabilities*

Upon initial recognition, the Fund classifies its financial liabilities, as measured at amortised cost or as at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

All the financial liabilities of the Fund are currently carried at amortised cost.

##### *(v) Derecognition of financial instruments*

###### Financial assets

The Fund derecognises 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 derecognised) 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 recognised in OCI is recognised in statement of comprehensive income.

Any cumulative gain/loss recognised in OCI in respect of equity investments designated as at FVOCI is not recognised in statement of comprehensive income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Fund is recognised as a separate asset or liability.

In 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 recognise 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.

###### Financial liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

##### *(vi) 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 recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.



# SAB INVEST SUKUK FUND

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## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

##### *Financial instruments (continued)*

##### *(vii) Impairment of financial assets*

The Fund assesses on a forward-looking basis the Expected Credit Losses (“ECL”) associated with its financial assets, carried at amortised cost, the ECL is based on a 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

##### *Accounting policy for ECL on Debt FVOCI*

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

##### *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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund’s accounting policies. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 10.

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

##### *Trade date accounting*

All regular way purchases and sales of financial assets are recognised / derecognised 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 market place.

##### *Provisions*

Provisions are recognised when the Fund has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured.

##### *Accrued expenses*

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

##### *Redeemable units*

Redeemable units are classified as equity instruments when:

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

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

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

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

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

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

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.3 Material accounting policies (continued)

##### *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.

##### *Management fees*

Fund management fees are recognised on an accrual basis and charged to the statement of comprehensive income. Fund management fees are charged at agreed rates with the Fund Manager and as stated in the Terms and Conditions of the Fund.

##### *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 classified or designated upon initial recognition as at FVTPL and exclude commission and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments, which were realised in the reporting year. Realised 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 recognised 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 recognised in the statement of comprehensive income in a separate line item.

##### *Foreign currencies*

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.

##### *Expenses*

Expenses are measured and recognised as expenses on an accrual basis in the year in which they are incurred.

##### *Zakat and income tax*

Zakat and income tax is the obligation of the Unitholders and is not provided for in these financial statements.

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 New standards, interpretations and amendments adopted by the Fund

##### 3.4.1 New standards and amendments adopted by the Fund

The following new and amended IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements.

Standard, interpretation and amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which previously permitted wide variety of practices in accounting for insurance contracts. IFRS 17 fundamentally changes the accounting all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023

##### 3.4.2 Standards issued but not yet effective and not early adopted

Standard, interpretation and amendments	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	Annual periods beginning on or after 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	Annual periods beginning on or after 1 January 2024

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

#### 3.4 New standards, interpretations and amendments adopted by the Fund (continued)

##### 3.4.2 Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after 1 January 2024
Amendments to IAS 21	Lack of exchangeability – Amendments to IAS 21	Annual periods beginning on or after 1 January 2025

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements in conformity with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, may differ from the related actual results.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

#### *Going concern*

The Fund Board, in conjunction with the Fund Manager made an assessment of the Fund's ability to continue as a going concern and are satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, they are 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.

#### *Fair value measurement*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (closing price), without any deduction for transaction costs. The fair value for financial instruments (investment in funds) at the reporting date is based on their market price (closing prices) observable in market other than active market.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in Note 8.

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The composition of the investment's portfolio on the last valuation day of the year is summarised below:

	<i>31 December 2023</i>			
	<i>% of Market Value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
<b><u>Mutual Fund</u></b>				
SAB Invest Saudi Riyal Murabaha Fund*	59%	2,562,653	2,837,595	274,942
SAB Invest US Dollar Murabaha Fund*	41%	2,000,000	2,001,107	1,107
	<b>100%</b>	<b>4,562,653</b>	<b>4,838,702</b>	<b>276,049</b>

The above equity investments are listed on the Saudi Stock Exchange ("Tadawul"). The Fund Manager seeks to limit risk for the Fund by monitoring exposures in each investment sector and individual securities.

	<i>31 December 2022</i>			
	<i>% of Market Value</i>	<i>Cost USD</i>	<i>Market value USD</i>	<i>Unrealised gain USD</i>
<b><u>Mutual Fund</u></b>				
SAB Invest Saudi Riyal Murabaha Fund*	100%	2,855,937	3,034,138	178,201

\* These funds are also managed by SAB Invest (The Fund Manager). Hence, they are considered as related party balances.

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
Debt securities – Sukuks	43,638,946	48,420,832
Accrued special commission income	450,777	490,745
	<b>44,089,723</b>	<b>48,911,577</b>

These financial assets are classified as stage 1 and 2. Movement in the allowance for expected credit losses is as follows:

	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
Balance at the beginning of the year	120,619	90,118
Reversals during the year, net	253,897	30,501
	<b>374,516</b>	<b>120,619</b>

# SAB INVEST SUKUK FUND

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (continued)

The methodology and assumptions applied by the Fund in estimating the ECL on sukuk placements is based on using the Moody's rating scales which are then adjusted for country specific data based on where the sukuk's underlying assets/projects are, forward looking estimates and macroeconomic variables such as expected GDP growth, to determine the ECL as at the end of the reporting year.

### 7. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

#### A. *Transactions and balances with Fund Manager and board of directors*

Related 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 of the Fund comprise SAB Invest (being the Fund Manager, the Fund Board and administrator of the Fund), mutual funds managed by the Fund Manager and The Saudi Awwal Bank ("SAB") (being parent of the Fund Manager)

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are governed by limits set by the regulations issued by CMA. All the related party transactions are undertaken at mutually agreed prices and approved by the Fund Manager. These transactions were carried out on the basis of approved Terms and Conditions of the Fund.

The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>31 Dec 2023</i>	<i>31 Dec 2022</i>	<i>31 Dec 2023</i>	<i>31 Dec 2022</i>
		<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Fund Manager	Fund management fee	<b>417,763</b>	449,524	<b>37,412</b>	45,277
Fund Administrator	Administration fee	<b>31,264</b>	31,803	<b>7,661</b>	2,890
	Board member fee	<b>4,313</b>	4,211	<b>4,313</b>	4,200
Saudi Awwal Bank (SAB)	Cash and cash equivalents	-	-	-	239,225
	Investment in Sukuk	-	-	-	3,199,403

The Fund pays the Fund Manager a management fee calculated at an annual rate of 0.75% per annum calculated on the net asset value at each valuation day.

The Saudi Awwal Bank ("SAB") (parent of the Fund Manager) acts as the Fund's banker. The Fund has made investments aggregating to USD 4.8 million (31 December 2022: SR 3 million) in other funds managed by the Fund Manager.

#### B. *Transactions and balances with Funds managed by the Fund Manager*

Following mutual funds managed by the Fund Manager had transactions in units of the Fund:

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
SAB Invest Multi-Assets Defensive Fund	Issuance / redemption, net	<b>1,020,000</b>	-	<b>10,537,691</b>	9,356,731
SAB Invest Multi-Assets Balanced Fund	Issuance/ redemption, net	<b>7,660,000</b>	-	<b>24,933,023</b>	16,811,214
SAB Invest Multi-Assets Growth Fund	Issuance/ redemption, net	<b>1,131,000</b>	-	<b>3,743,761</b>	2,553,170

# SAB INVEST SUKUK FUND

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### 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund has investments at fair value through profit or loss and at fair value through other comprehensive income which is measured at fair values and are classified within level 1 and level 2 of the fair value hierarchy. All other financial assets and liabilities are classified as amortised cost and management believes that the fair value of all other financial assets and liabilities at the reporting date approximate their carrying values owing to their short-term tenure and the fact that these are readily liquid. There were no transfers between various levels of fair value hierarchy during the current period or prior year.

#### Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Fund's financial assets as at 31 December 2023 and 31 December 2022. There are no other financial assets and financial liabilities measured at fair value.

	As at 31 December 2023				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	44,089,723	28,539,262	15,550,461	-	44,089,723
Financial assets at FVTPL	4,838,702	-	4,838,702	-	4,838,702
<b>Total</b>	<b>48,928,425</b>	<b>28,539,262</b>	<b>20,389,163</b>	<b>-</b>	<b>48,928,425</b>

  

	As at 31 December 2022				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	40,502,334	19,386,584	21,115,750	-	40,502,334
Financial assets at FVTPL	3,034,138	-	3,034,138	-	3,034,138
<b>Total</b>	<b>43,536,472</b>	<b>19,386,584</b>	<b>24,149,888</b>	<b>-</b>	<b>43,536,472</b>

### 9. 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:

<i>As at 31 Dec 2023</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>No Fixed Maturity USD</i>	<i>Total USD</i>
<b>ASSETS</b>				
Cash and cash equivalents	2,213,015	-	-	2,213,015
Financial assets at FVTPL	-	-	4,838,702	4,838,702
Financial assets at FVOCI	1,793,926	42,295,797	-	44,089,723
Receivables and advances	913,720	-	-	913,720
<b>TOTAL ASSETS</b>	<b>4,920,661</b>	<b>42,295,797</b>	<b>4,838,702</b>	<b>52,055,160</b>
<b>LIABILITIES</b>				
Management fee payable	37,412	-	-	37,412
Dividend payable	394,161	-	-	394,161
Payable against purchased securities	929,410	-	-	929,410
Accrued expenses	35,384	-	-	35,384
<b>TOTAL LIABILITIES</b>	<b>1,396,367</b>	<b>-</b>	<b>-</b>	<b>1,396,367</b>



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**9. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

<i>As at 31 December 2022</i>	<i>Within 12 months USD</i>	<i>After 12 months USD</i>	<i>No Fixed Maturity USD</i>	<i>Total USD</i>
<b>ASSETS</b>				
Cash and cash equivalents	621,553	-	-	621,553
Financial assets at FVTPL	-	-	3,034,138	3,034,138
Financial assets at FVOCI	1,019,977	39,482,357	-	40,502,334
Financial assets at Amortised Cost	-	8,409,243	-	8,409,243
<b>TOTAL ASSETS</b>	<b>1,641,530</b>	<b>47,891,600</b>	<b>3,034,138</b>	<b>52,567,268</b>
<b>LIABILITIES</b>				
Management fee payable	45,277	-	-	45,277
Dividend payable	578,297	-	-	578,297
Accrued expenses	41,380	-	-	41,380
<b>TOTAL LIABILITIES</b>	<b>664,954</b>	<b>-</b>	<b>-</b>	<b>664,954</b>

**10. FINANCIAL RISK MANAGEMENT**

***Introduction***

The Fund's objective in managing risk is the creation and protection of unitholder's value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing risk identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes foreign currency risk and special commission rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

***Risk management framework***

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of investments in mutual funds and debt securities.

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 Investment Committee of the Fund. In instances where the portfolio has diverged from target asset allocations, the Fund Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

***Risk measurement and reporting system***

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy, including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

***Risk mitigation***

The Fund's terms and conditions has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

***Credit risk***

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered with the Fund, resulting in a financial loss to the Fund. The Fund is exposed to credit risk on its cash at bank, financial assets measured at amortised cost, financial assets measured at FVOCI. The Fund Manager seeks to limit its credit risk by monitoring credit exposure and by dealing with reputed counterparties.

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**10. FINANCIAL RISK MANAGEMENT (continued)**

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 following table shows the Fund's maximum exposure to credit risk for components of the statement of financial position.

	<i>31 December</i> <b>2023</b> <i>USD</i>	<i>31 December</i> <b>2022</b> <i>USD</i>
Cash and cash equivalents	<b>2,213,015</b>	621,553
Financial assets measured at FVOCI	<b>44,089,723</b>	40,502,334
Financial assets measured at Amortised Cost	<b>-</b>	8,409,243
Receivable and advances	<b>913,720</b>	-
	<b>47,216,458</b>	49,533,130

The Fund does not have a formal internal grading mechanism. Credit risk is managed and controlled by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Credit risks are generally managed on the basis of external credit ratings of the counterparties.

***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 terms and conditions provide for the terms of subscriptions and redemptions of units and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions. However, the Fund is allowed to borrow in order to satisfy redemptions. 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.

***Market risk***

Market risk is the risk that changes in market prices - such as foreign exchange rates, special commission rates and equity prices 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 Fund's terms and conditions. The Fund's market risk is managed on a timely basis by the Fund 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.

***Special commission rate risk***

Commission rate risk arises from the possibility that the changes in commission rates will affect either the fair values or the future cash flows of financial instruments. The Fund Manager monitors positions daily to ensure maintenance of positions within established gap limits, if any.

***Sensitivity analysis***

The sensitivity analysis reflects how net assets (equity) attributable to the Unitholders would have been affected by changes in relevant risk variable that were reasonably possible at the reporting date.

Management has determined that a fluctuation in commission rates of 10 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's net assets (equity) attributable to the Unitholders of a reasonably possible increase of 10 basis points in commission rates at 31 December. The impact of such an increase or reduction has been estimated by calculating the fair value changes of the fixed-interest debt securities and other fixed-interest-bearing assets, less liabilities. The impact is primarily from the decrease in the fair value of fixed income securities. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

# SAB INVEST SUKUK FUND

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## NOTES TO THE FINANCIAL STATEMENTS

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### 10. FINANCIAL RISK MANAGEMENT (continued)

#### *Sensitivity analysis (continued)*

<i>Effect on net assets (equity)</i>	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
Net assets (equity) attributable to the Unitholders	<b>204,712</b>	265,864

### 11. LAST VALUATION DAY

The last valuation day of the year was 31 December 2023 (2022: 31 December 2022).

### 12. ZAKAT

The Ministry of Finance, through Ministerial Resolution No. (29791) dated 9 Jumada-al-Awwal 1444 H (which corresponds to December 3, 2022), has approved the Zakat Rules for Investment Funds that are permitted by the CMA. These rules take effect from January 1, 2023, and require Investment Funds to register with the Zakat, Tax, and Customs Authority (ZATCA). The Rules also mandate Investment Funds to submit a zakat information declaration to ZATCA within 120 days after the end of their fiscal year, which should include audited financial statements, records of related party transactions, and any other data requested by ZATCA. According to the Rules, Investment Funds are not subject to Zakat if they do not engage in unstipulated economic or investment activities as per their CMA-approved Terms and Conditions. The Zakat collection will be applied to the Fund's Unitholders. During the current year, the Fund Manager has completed the registration of the Fund with ZATCA and will be submitting the zakat information declaration as required.

### 13. DIVIDEND DISTRIBUTION

In accordance with the Terms and Conditions of the Fund, the Fund Board declared the following dividend out of the Fund during the year, except the 4<sup>th</sup> dividend which are unpaid as of the end of the year:

	<i>31 December 2023 USD</i>	<i>31 December 2022 USD</i>
1st dividend at a rate of USD 0.07 (2022: SR 0.75) per unit	<b>409,971</b>	456,894
2nd dividend at a rate of USD 0.07 (2022: SR 0.7) per unit	<b>409,971</b>	426,435
3rd dividend at a rate of USD 0.07 (2022: SR 0.7) per unit	<b>385,900</b>	426,435
4th dividend at a rate of USD 0.07 (2022: SR 0.7) per unit	<b>394,161</b>	409,971

### 14. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 15 Ramadan 1445H (corresponding to 25 March 2024).