

Annual Report  
(Alawal Invest Saudi Construction and Cement  
Companies Equity Fund)  
2022

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

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## (A) Fund Information

### 1. Fund Name

Alawwal Invest Saudi Construction and Cement Companies Equity Fund

### 2. Investment Objectives and Policies

The Fund is an open investment fund that aims at achieving capital growth over the medium to the long term. The Fund invests in the equities of Construction and Building Sector and Saudi Cement Sector.

### 3. Income & Gains Distribution Policy

No income shall be distributed, but rather the investment income and gains shall be added to the fund's assets so that the income and gains shall be reinvested and reflected on the unit price.

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

The fund performance is measured against the performance of Alawwal Invest Saudi Construction & Cement Companies Index.

## (B) Fund Performance

### Fund performance during the past three years (SAR)

	2020	2021	2022
Net Asset Value at the end of the year	74,758,386	56,932,518	41,487,535
Net Asset Value per Unit at the end of the year	7.7916	7.9001	6.5989
Highest Net Asset Value per Unit	7.7916	10.3078	8.7578
Lowest Net Asset Value per Unit	4.1655	3.4820	6.4367
Number of Issued Units at the end of the Year	9,594,746	7,206,598	6,287,057
Value of Distributed Dividends per unit (if any)	-	-	-
Expense Ratio	2.10%	2.19%	2.25%
Percentage of Assets Borrowed from the Asset Value, Exposure Period and Maturity Date	-	-	-

- Fund Returns

One Year

Three Years

Five Years

Since Inception

<b>Fund Returns</b>	-16.47%	-0.40%	34.40%	-34.01%
<b>Benchmark Returns</b>	-17.55%	2.99%	38.13%	-17.32%

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Fund Returns</b>	28.81%	3.68%	-30.42%	-3.54%	-21.57%	-19.19%	66.99%	17.60%	1.39%	-16.47%

- **Fees and Expenses**

Type of Expenses or Commission (Including VAT, if any)	Value in SAR	Percentage according to Fund Asset Average
<b>Fund Management Fees</b>	1,005,183	1.95%
<b>Custodian Fees</b>	24,472	0.048%
<b>Administrative Services Fees</b>	29,564	0.057%
<b>Auditor's Fees</b>	36,362	0.071%
<b>Independent Board Members' Remuneration</b>	20,000	0.039%
<b>CMA Registration Fees</b>	7,500	0.015%
<b>Tadawul Fees</b>	5,750	0.011%
<b>Index License Fees</b>	21,563	0.042%
<b>Shariah Review Fee</b>	6,000	0.012%
<b>Other Expenses</b>	1,534	0.0030%

## 5. Material changes that affected the Fund performance

No material changes affected the Fund performance in 2022

## 6. Annual Voting Practices

The Fund Manager has exercised voting rights, for more details kindly refer to the "Exercising of voting right Annex"

## 7. 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).

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, Riyad Bank (2012)</li> <li>- Master Degree in Finance Management, Durham University,</li> </ul>	Chief Operating Officer Asset Management, Alawal Invest (2022)

	United 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 Nesseel 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)

**(a) 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.

**(b) 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.

**(c) 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.

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

Fund Name	Hamad Al-Washmi	Rehab Al-Khudair	Tariq Al-Tuwaijri	Ali Saleh Al-Othaim	Abdulrahman Al-Mudaimigh
<b>Alawal Invest Saudi Riyal Murabaha Fund</b>	√	√	√	√	√
<b>Alawal Invest US Dollar Murabaha Fund</b>	√	√	√	√	√

<b>Alawwal Invest Saudi Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest Saudi Equity Income Fund</b>	√	√	√	√	√
<b>Alawwal Invest Saudi Financial Institutions Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest Saudi Companies Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest Saudi Industrial Companies Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest T Saudi Construction and Cement Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest Global Equity Index Fund</b>	√	√	√	√	√
<b>Alawwal Invest GCC Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest China and India Equity Freestyle Fund</b>	√	√	√	√	√
<b>Alawwal Invest Multi-Assets Defensive Fund</b>	√	√	√	√	√
<b>Alawwal Invest Multi-Assets Balanced Fund</b>	√	√	√	√	√
<b>Alawwal Invest Multi-Assets Growth Fund</b>	√	√	√	√	√
<b>Alawwal Invest Saudi Freestyle Equity Fund</b>	√	√	√	√	√
<b>Alawwal Invest MSCI Tadawul 30 Saudi ETF</b>	√	√	√	√	√
<b>Alawwal Invest Sukuk Fund</b>	√	√	√	√	√
<b>Alawwal Invest GCC Equity Income Fund</b>	√	√	√	√	√



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

Subject	Approval Description	Meeting Date
Fund management Migration	Updating the fund's board of directors with the process of transferring the fund's management from HSBC Saudi Arabia to Alawwal Invest.	20 March 2022
Fund performance	Discussed fund performance in comparison with other competitors.	20 March 2022
Changes in Terms and Conditions	The fund's board of directors approved changes in the terms and conditions.	20 March 2022
Financial Statement preparation	The fund's board of directors approved to continue with Ernst & Young as fund auditor.	17 November 2022
Service Providers Assessment	The Fund's Board of Directors approved the Service Providers post assessment.	17 November 2022
Risk Procedures	The fund's board of directors has approved risk procedures to manage non-financial risks	17 November 2022

### C) Fund Manager

Alawwal Invest

#### 1. Address

Head Office, Olaya Street  
Riyadh 11431-1467,  
Kingdom of Saudi Arabia,  
Unified Number: +966114163133  
Fax: +966 112169102  
Website: www.Alawwalinvest.com

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

Not Applicable

#### 3. Investment activities during the period

During 2022, the Fund maintained its overall position in the Cement and Construction sectors. Both sectors continue to enjoy positive growth supported by increased construction activities related to mega projects.

#### 4. Report on the fund performance during the period

TASI closed 2022 with a decline of 7.1%, equivalent to 804 points, closing at 10,478 points, compared to its closing at 11,282 points at the end of 2021. TASI was affected during the year 2022, by the state of uncertainty regarding the global economic recession and the repercussions of raising interest rates, in addition to Oil price fluctuations.

The year 2022 witnessed many events that affected the Saudi stock market, most notably the following:

- The Russian-Ukrainian crisis that resulted in the uncertainty of oil markets and the global economy.
- The Central Bank of Saudi Arabia raised interest rates 7 times, coinciding with the Federal Reserve's decision, bringing the "reverse repo" rate to 450 basis points, and the "repo" to 500 basis points.
- Brent crude oil recorded its highest price during the year at \$139 a barrel, while it recorded its lowest price near \$75 a barrel.
- Lifting the precautionary and preventive measures related to combating the pandemic and social distancing measures in all indoor & outdoor activities.

In terms of sectors, all sectors of the market recorded a decline during 2022 except for the healthcare, applications, and technology services sectors, which increased by 25%, followed by the public utilities sector, which increased by 21%. The pharmaceutical sector led the declining sectors by 45%, then the consumer discretionary sector by 33%, and the capital goods sector declined by 31%. The banking and energy sectors recorded a decrease of 6% and 2%, respectively, and the basic materials sector declined by 14%.

During the year 2022, the Fund achieved a negative return of 16.47%, while the benchmark (Alawwal Invest Saudi Cement & Construction TR) achieved a negative return of 17.55%.

#### 5. Changes made to the terms and conditions of the fund during the period

Date	Change
3-Mar-22	Update of the terms and conditions to comply with annex (1) of the Investment Funds Regulations.
18-Sep-22	Change the fund manager from HSBC Saudi Arabia to Alawwal Invest Company.

#### 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)

Not Applicable

**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 investment fund regulations**

None

**10. Management term of the person recorded as the fund manager**

Five Years

**11. Percentage of the expenses of every fund by the end of the year and the weighted average of the expenses of the main funds subject of investment**

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**

Alawwal Invest

**1. Name & Address of the Fund Operator**

Head Office, Olaya Street  
 Riyadh 11431-1467,  
 Kingdom of Saudi Arabia,  
 Unified Number: +966114163133  
 Fax: +966 112169102  
 Website: www.Alawwalinvest.com

**2. Concise Description of the Fund Operator main roles and responsibilities**

As 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 these Terms and Conditions;
- Conclude the subscription and redemption procedures provided for under the Terms and Conditions; and
- Fully and fairly evaluate the Fund assets and calculate the Fund unit price.

**(e) Auditor:**

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

**(f) Financial Statements**

Attached

**Annex - Exercised Voting Rights**

General Assembly of Saudi Ceramics held on 16 March 2022 A.D			
Voting Subject		Action Taken	
		Approval	Disapproval
		Abstention	
1	Voting on the Board of Directors' report for the fiscal year ending	×	

	on 31/12/2021.			
2	Voting on the independent auditor's report on the Company's Financial Statements for the fiscal year ending on 31/12/2021.	×		
3	Voting on the financial statements of the Company for the fiscal year ending on 31/12/2021.	×		
4	<p>Voting on the election of members of the Board of Directors from among the candidates for the next term, commencing from 29-08-1443 corresponding to 01-04-2022 for three years, ending on 02-10-1446 corresponding to 31-03-2025, The following board members have been selected:</p> <p>Mr. Youssef Saleh Aba Al-Khail</p> <p>Mr. Sami Ibrahim Al Issa (GOSI Representative)</p> <p>Mr. Asim Saad Al-Juraid (GOSI Representative)</p> <p>Mr. Mutaib Mohammed Al-Shathri (PIF Representative)</p> <p>Mr. AbdulAziz Abdulkarim Al-Akhurajji</p> <p>Mr. Majed Abdullah Al Issa</p> <p>Mr. Majed Mohammed Aldakheel</p> <p>Mr. Muhammed Abdulmohsin Al-Qurainees</p>			×
5	<p>Voting on the formation of the audit committee, and the definition of its duties, work regulations and remuneration of its members for the new term, starting from 01-04-2022 until the end of the term on 31-03-2025. Their names are as follows:</p> <p>1- Majed Bin Mohammed Aldakheel (Board Member)</p> <p>2- Ahmed Sulaiman AlMuzaini (Non-board Member)</p> <p>3- Abdulaziz bin Abdul Malik AlSheikh (Non-board Member)</p>			×
6	Voting on the authorization of the Board of Directors to distribute cash dividends quarterly / semi-annually for the fiscal year 2022.	×		
7	Voting on the delegation to the Board of Directors, the authorization powers of the ordinary general assembly stipulated in paragraph (1) of Article 71 of the Companies Law, for a period of one year starting from the date of the approval by the General Assembly or until the end of the session of the authorized Board of Directors' term, whichever is earlier, in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.	×		
8	Approval of the business and contracts that have been concluded between the Company and the Natural Gas Distribution Company- an associate company, in which of the Chief Executive Officer, Mr. Majed Bin Abdullah Al Issa has an indirect interest through his representation in the Board of	×		

	Directors of the company. The main activity of the Company is the purchase of natural gas and its distribution to industrial units in Riyadh. The value of transactions during the year 2021 amounted to of SAR 55.2 million for purchase orders.			
9	Approval of the business and contracts that have been concluded between the Company and the Natural Gas Distribution Company- an associate company, in which of the Chief Executive Officer, Mr. Majed Bin Abdullah Al Issa has an indirect interest through his representation in the Board of Directors of the company. The main activity of the Company is the purchase of natural gas and its distribution to industrial units in Riyadh. The value of transactions during the year 2021 amounted to of SAR 396 thousand for dividends received.	×		
10	Approval of the business and contracts concluded between the Company and Ceramic Pipes Company- a subsidiary company, in which the vice chairman of the Board of Directors, Mr. Abdulkarim Bin Ibrahim Al Nafie has an indirect interest through his representation in the Company. The main activity of the company is manufacture and sale of clay pipes. The value of transactions during the year 2021 was SAR 19.7 million for loans and payment of liabilities.	×		
11	Approval of the business and contracts concluded between the Company and Ceramic Pipes Company- a subsidiary company, in which a member of the Board of Directors, Mr. Abdulkarim Bin Ibrahim Al Nafie has an indirect interest through his representation in the Company, The value of transactions during the year 2021 was SAR 114 thousand related to sales of products.	×		
12	Approval of the business and contracts that have been concluded between the Company and the Saudi Trukkin Company, in which the Board member and Chief Executive Officer, Mr. Majed Bin Abdullah Al Issa has an indirect interest through his membership in the Board of Directors of Batic Investments and Logistics Co. which owns 11.4% in Saudi Trukkin Company. The value of transactions during the year 2021 amounted to SAR 5.4 million.	×		
13	Approval of the business and contracts that have been concluded between the Company and the AXA Cooperative Insurance Company, in which the Chairman of the Board of Directors, Mr. Yousef bin Saleh Aba AlKhail has an indirect interest through his chairmanship of the Board of Directors of AXA Cooperative Insurance Company. The value of transactions during the year 2021 amounted to SAR 238 thousand.	×		
14	Approval of the audit committee's recommendation for the appointment and remuneration of Dr. Abdelgadir Bannaga and Partners Co., Allied Accountants RSM, as auditors for the Company. They shall examine, review, and audit the second, third quarter and the annual financial statements of the fiscal year 2022, and the first quarter of the fiscal year 2023. The audit fee shall also be determined.	×		

General Assembly of City Cement Co Company held on 15 June 2022 A.D				
Voting Subject		Action Taken		
		Approval	Disapproval	Abstention
1	Voting on the company's auditor's report for the fiscal year ended on 31-12-2021.	×		
2	Voting on the company's financial statements for the fiscal year ended on 31-12-2021.	×		
3	Voting the report of the board of directors for the fiscal year ended on 31-12-2021.	×		
4	Voting to discharge the members of the Board of Directors from liability for the fiscal year ended on 31-12-2021.			×
5	Voting on the appointment of external auditors for the company from among the candidates based on the Audit Committee's recommendation to examine, review, and audit the (second, third and fourth) quarter, the annual financial statements of the fiscal year 2022G, and the first quarter of the fiscal year 2023G together with the determination of their remuneration.			×
6	Voting on delegating the Board of Directors to distribute interim dividends on a biannual / quarterly basis for the fiscal year 2022.	×		
7	Vote on the election of board members among the candidates for the next three-year session, which begins on June 19, 2022 and ends on June 18, 2025 (CV's attached)	×		
8	<ul style="list-style-type: none"> <li>• Vote on the formation of the audit committee for the next three-year session, which begins on June 19, 2022 and ends on June 18, 2025 and determine its functions, work controls and rewards of its members, knowing that the candidates are (their CV's attached) and they Are as:</li> <li>1. Saleh Suliman Alrajhi</li> <li>2. Mohammed Hamdan AlSuraiyea</li> <li>3. Abdulaziz Abdullatif Aldulaijan</li> <li>4. Saleh Hassan Al Sheikh</li> </ul>	×		
9	Voting on paying an amount of (SAR 1,400,000) as remuneration to the Board members for the fiscal year ending on 31/12/2021, (200,000) for each member.			×

General Assembly of Hail Cement on 18 April 2022 A.D				
Voting Subject		Action Taken		
		Approval	Disapproval	Abstention
1	Vote on the annual Board report for the fiscal year ending 31 December 2021.	×		

2	Vote on the external auditor report for the fiscal year ending 31 December 2021.	×		
3	Vote on the Financial Statement of the fiscal year ending 31 December 2021.	×		
4	Vote to absolve the members of the Board of Directors from liability for the fiscal year ending on December 31, 2021.			×
5	Vote to assign external auditor from the nominated offers based on the recommendation of the Audit Committee to audit the financial statement of the second and third quarter and annual statement of the fiscal year 2022, plus the first quarter of the year 2023 and determine their fees.			×
6	Vote to allocate amount of 1,2 million Saudi Riyals from the company's budget for the fiscal year 2022 for social responsibility.	×		
7	Vote to disburse an amount of 1,750,000 Saudi Riyals as a reward for board members for the fiscal year 2021.	×		
8	Vote to authorize the Board of Directors to distribute interim dividends to shareholders on Quarterly or midterm basis for the fiscal year 2022, and decide the illegibility and distribution according to regulations and based on the company financial situation and plans.	×		
9	Vote on Social Responsibility policy.	×		

General Assembly of Saudi Cement on 10 April 2022 A.D				
Voting Subject		Action Taken		
		Approval	Disapproval	Abstention
1	Vote to approve the Board of directors' report for the year ended 31 December 2021.	×		
2	Vote to approve the Consolidated Financial Statements for the fiscal year ended on 31 December 2021.	×		
3	Vote to approve the External Auditors report for the year ended on 31 December 2021.	×		
4	Vote on the discharge of Board of Directors members from liabilities for their management of the company during the financial year ended 31 December 2021.			×
5	vote on appointing an external auditor for the company among the nominees based on the recommendation of the Audit committee to review and audit the second and third quarters and yearend of 2022, in addition to first quarter of 2023 financial			×



	statements and determine their fees.			
6	Vote on the board resolution in regards of the distributed cash dividend to the shareholders for the first half of the fiscal year 2021, (SAR 1.5) per share representing (15%) of the share nominal value with total amount of SAR 229.5 million.	×		
7	Vote on the Board of Director's recommendation to distribute cash dividends to the shareholders for second half of 2021, at (2) Riyals per share which is equivalent to (20%) of the company's share capital with a total amount of (306 ) million riyals Provided that the entitlement to dividends is for shareholders holding the shares by the end of the trading day of the assembly date who are registered in the Company's shareholders registry held by the Securities Depository Centre Company (Edaa) at the end of the second trading day following the entitlement date, and The distribution date will be at 20/04/2022.	×		
8	Vote on disbursement of SAR 5,208,960 (Five million two hundred and eight thousand nine hundred sixty Saudi riyals) as remuneration to the board members for the fiscal year of 2021.	×		
9	Vote on the business and contracts that will be concluded between the company and Cement Industry Products Company Ltd., which is the member of the Board of Directors and CEO , Mr. Mohammad bin Ali Al-Garni, has an indirect interest in (related party) and authorize it for a coming year, noting that the amount of the transaction for the year 2021 amounted to 33,941,039 Saudi riyals, which is the purchase of empty cement bags, and there are no preferential terms for this type of contract .	×		
10	Vote on the business and contracts that will be concluded between the company and Wataniya Insurance Company, which is the member of the Board of Directors Mr. Amin bin Musa Al-Afifi has an indirect interest in (related party) and authorize it for a coming year, noting that the amount of the transaction for the year 2021 amounted to 8,264,766 Saudi riyals, which is an insurance coverage of the company's property except for medical insurance, there are no preferential terms for this type of contract	×		
11	vote on authorizing the Board of Directors to distribute interim cash dividends to the shareholders on biannual or quarterly basis for the financial year 2022.	×		
12	Vote on Regulating Procedures and Criteria of involvement of Company's Board Member in Competitive Activity of the Company.	×		
13	Vote on amendment of the Standards and Procedures	×		

Regulating the Board Membership.			
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General Assembly of Eastern Province Cement Company held on 22 May 2022 A.D				
Voting Subject		Action Taken		
		Approval	Disapproval	Abstention
1	Voting on the Board of Directors' report for the fiscal year ended on 31/12/2021G..	×		
2	Voting on the auditor's report of the company accounts for the fiscal year ended on 31/12/2021G.	×		
3	Voting on the financial statements for the fiscal year ended on 31/12/2021G.	×		
4	Voting on discharging the members of the Board of Directors from liability for the fiscal year ended on 31/12/2021G.			×
5	Voting on the decision of the Board of Directors regarding the dividends that have been distributed to shareholders amounted of SAR 215,000,000 represents SAR (2.50) per share for the first and second half of 2021 (Attached)	×		
6	Voting on payment of (SAR 2,900,000) as remuneration to the Board members for the fiscal year ended on 31/12/2021G.	×		
7	Voting on appointing the auditor for the Company from among the candidates based on the Audit Committee's recommendation. The appointed auditor shall examine, review and audit the second, third, and annual financial statements, of the fiscal year 2022G., and the first quarter of the fiscal year 2023G., and the determination of the auditor's remuneration.			×
8	Voting on delegating the Board of Directors to distribute interim dividends on biannual or quarterly basis for the fiscal year 2022G.	×		
9	Voting on delegating the authorization powers of the General Assembly stipulated in paragraph (1) of Article (71) of the Companies Law to the Board of Directors for a period of one year starting from the date of the approval by the General Assembly or until the end of the delegated Board of Directors' term, whichever is earlier. Such delegation shall be in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies.	×		
10	Voting on the transactions and contracts that will be concluded between the company and the Arabian Yemen Cement Company Limited (an associate company) in which the members of the Board of Directors mentioned below have an indirect interest	×		

	<p>without any preferential conditions, where the Eastern Province Cement Company is represented in the Board of Directors of the Arabian Yemen Cement Company Limited by two members of its Board of Directors and they are: (1) Mr. Mohammad Saad Al Faraj Al Subaie (Non-Executive). (2) Mr. Ibrahim Salem Al Ruwais (Non-executive). The nature of these transactions and contracts is represented in cash sums that the Eastern Province Cement Company will receive from the associate company in order to transfer them to some of the associate's suppliers, as the associate company faces some difficulties finalizing its bank transfers to and from the Republic of Yemen, noting that the balance of these transactions and contracts has reached SAR (545) thousand as on 31/12/2021G compared with (SAR 7 million as on 31/12/2020G). Such transactions and contracts will continue until the difficulties facing the associate are over.</p>			
11	<p>Voting on the transactions and contracts concluded between the company and Al-Dawaa Medical Services Company Ltd., where the Chairman of the Board of Directors of the Eastern Province Cement Company Mr. Mohammad Saad Al Faraj Al Subaie (Non-Executive) is the Board of Directors and CEO of Al-Dawaa Medical Services Company Ltd., and vice chairman of Eastern Province Cement Company Mr. Ibrahim Salem Al-Rwais (Non-Executive) is a vice chairman of Al-Dawaa Medical Services Company Ltd., and the member of the Board of Directors of the Eastern Province Cement Company Mr. Waleed Mohammad Al-Jaafari (Independent) is a Board of Directors of Al-Dawaa Medical Services Company Ltd., and the nature of these transactions and contracts is to rent administrative offices to Al-Dawaa Medical Services Company Ltd. in the Eastern Province Cement Company tower for a period of about four Hijri years at an amount of (SAR 2,312,170) per annum, as part of the ordinary businesses that have offered no preferential conditions.</p>	×		
12	<p>Voting on the transactions and contracts concluded between the company and Walaa Cooperative Insurance Co., where the member of the Board of Directors of the Eastern Province Cement Company, Mr. Waleed Mohammad Al-Jaafari (Independent) is a Board of Directors of Walaa Cooperative Insurance Co., and the nature of these transactions and contracts is to provide Insurance services to Eastern Province Cement Company for three years at an amount of (SAR 1,526,661.14) per annum, as part of the</p>	×		

	ordinary businesses that have offered no preferential condition.			
13	Voting on amending the Policy of Remuneration of board of directors, board of committees and executive management (Attached).	×		

General Assembly of Yamamah Cement held on 28 March 2022 A.D				
Voting Subject		Action Taken		
		Approval	Disapproval	Abstention
1	The approval of the Board of Directors' report for the financial year ending on 31/12/ 2021.	×		
2	The approval of the company's financial statements for the financial year ending on 31/12/2021.	×		
3	The approval of company's auditor's report for the financial year ending on 31/12/2021.	×		
4	The approval of discharging the members of the Board of Directors from for the financial year ending on 31/12/2021.	×		
5	The approval of the hiring of the company's auditor AlKharashi Co. Certified Accountants and Auditors on the recommendation of the audit committee, in order to check, review and audit the financial statements for the quarters (second, third, and annual) of the financial year 2022, and the first quarter of the financial year 2023, and determine its fees.	×		
6	The approval of delegating the Board of Directors to distribute interim dividends in semiannually / quarterly basis for the financial year 2022.	×		
7	The approval of the business and contracts that took place between the company and the Yemeni Saudi Company, in which the former Vice Chairman of the Board Prince Sultan bin Muhammad bin Saud Al Kabeer has a direct interest, which is about guarding expenses for the factory located in Yemen during the year 2021 and there are no preferential terms in the amount of 252 thousand riyals.	×		
8	The approval of the business and contracts that took place between the company and the Arab Shield Cooperative Insurance Company, which belong to the former deputy of the board of directors, Prince Sultan bin Muhammad bin Saud Al-Kabeer, the current deputy chairman of the board, Prince Nayef bin Sultan bin Muhammad bin Saud Al-Kabeer, and a member of the board of directors, Eng. Abdullah bin Abdulrahman Al-Obaikan A direct interest in it, which is a cooperative insurance during the year 2021, and there are no preferential terms at an amount of 13,545 thousand riyals.	×		
9	The approval of the business and contracts that took	×		

	place between the company and the Saudi Mobile Telecommunications Company “Zain”, in which the Vice Chairman of the Board of Directors Prince Nayef bin Sultan bin Muhammad bin Saud Al-Kabeer has an indirect interest, which is the provision of telecommunications services during the year 2021 and there are no preferential conditions In the amount of 1,543 thousand riyals.			
10	The approval of the business and contracts concluded between the company and Al Rajhi Bank, in which a member of the Board of Directors, Eng. Faisal bin Sulaiman Al Rajhi, has an indirect interest, which is the provision of financing services during the year 2021, and there are no preferential terms at an amount of 563 million riyals.	×		
11	The approval of the business and contracts between the company and Cement industry products in which the former board member and CEO, Mr. Jehad bin Abdulaziz Al-Rasheed, has an indirect interest, which is the sale of cement bags during the year 2021, and there are no preferential terms for an amount of 16,302 thousand riyals.	×		
12	The approval of disbursing an amount of SR 1,400,000 as a reward for members of the Board of Directors for the financial year ending on 31/12/2021.	×		
13	The approval to amend the policies and standards of membership.		×	
14	The approval of the Social Responsibility.	×		

**ALAWWAL INVEST SAUDI CONSTRUCTION  
AND CEMENT COMPANIES EQUITY FUND  
(Formerly known as HSBC Saudi Construction and  
Cement Companies Equity Fund)  
(Managed by Alawwal Invest)**

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

**31 DECEMBER 2022**

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

**FINANCIAL STATEMENTS**

31 December 2022

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**Ernst & Young Professional Services (Professional LLC)**  
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**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALAWWAL INVEST SAUDI CONSTRUCTION AND CEMENT COMPANIES  
EQUITY FUND (FORMERLY KNOWN AS HSBC SAUDI CONSTRUCTION AND CEMENT COMPANIES  
EQUITY FUND)  
(MANAGED BY ALAWWAL INVEST)**

**Opinion**

We have audited the financial statements of Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund) (the "Fund") managed by Alawwal Invest (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, changes in equity attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022, 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 this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and 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.

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.



**INDEPENDENT AUDITOR'S REPORT  
TO THE UNITHOLDERS OF ALAWWAL INVEST SAUDI CONSTRUCTION AND CEMENT COMPANIES  
EQUITY FUND (FORMERLY KNOWN AS HSBC SAUDI CONSTRUCTION AND CEMENT COMPANIES  
EQUITY FUND)  
(MANAGED BY ALAWWAL INVEST) (CONTINUED)**

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

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.

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: 7 Ramadan 1444H  
(29 March 2023)



Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		<i>31 December</i> <b>2022</b> SR	<i>31 December</i> 2021 SR
	<i>Notes</i>		
<b>ASSETS</b>			
Cash and cash equivalents		<b>3,853,738</b>	1,171,427
Financial assets at fair value through profit or loss ("FVTPL")	5	<b>37,883,366</b>	55,847,176
Receivables and advances		<b>23,908</b>	22,020
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b>41,761,012</b>	57,040,623
		<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES</b>			
Management fees payable	6	<b>75,527</b>	12,210
Accrued expenses and other payables	7	<b>197,950</b>	95,895
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>273,477</b>	108,105
<b>EQUITY</b>			
Net assets attributable to unitholders of redeemable units		<b>41,487,535</b>	56,932,518
		<hr/>	<hr/>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>41,761,012</b>	57,040,623
		<hr/> <hr/>	<hr/> <hr/>
Redeemable units in issue		<b>6,287,057</b>	7,206,599
		<hr/> <hr/>	<hr/> <hr/>
Net asset value attributable to each unit		<b>6.60</b>	7.90
		<hr/> <hr/>	<hr/> <hr/>

Notes 1 to 12 form an integral part of these financial statements

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>SR</b>	<b>2021</b> <b>SR</b>
<b>INCOME</b>			
Realised gain on financial assets at FVTPL		<b>(1,458,814)</b>	19,649,562
Movement in unrealised (loss)/gain on financial assets at FVTPL		<b>(7,825,741)</b>	(16,688,904)
Dividend income		<b>2,008,969</b>	4,642,550
Other income		<b>3,878</b>	2,967
<b>TOTAL INCOME</b>		<b>(7,271,708)</b>	7,606,175
<b>EXPENSES</b>			
Management fees	7	<b>1,005,183</b>	1,888,443
Other expenses		<b>152,745</b>	198,683
<b>TOTAL EXPENSES</b>		<b>1,157,928</b>	2,087,126
<b>NET INCOME FOR THE YEAR</b>		<b>(8,429,636)</b>	5,519,049
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(8,429,636)</b>	5,519,049

Notes 1 to 12 form an integral part of these financial statements

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE  
UNITHOLDERS

For the year ended 31 December 2022

	2022 SR	2021 SR
<b>EQUITY AT THE BEGINNING OF THE YEAR</b>	<b>56,932,518</b>	74,758,386
Net income for the year	<b>(8,429,636)</b>	5,519,049
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<b>(8,429,636)</b>	5,519,049
Issue of units during the year	<b>5,421,207</b>	60,558,636
Redemption of units during the year	<b>(12,436,554)</b>	(83,903,553)
<b>Net change from unit transactions</b>	<b>(7,015,347)</b>	(23,344,917)
<b>EQUITY AT THE END OF THE YEAR</b>	<b>41,487,535</b>	56,932,518

	<u>Units</u>	<u>Units</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>7,206,599</b>	9,594,746
Issue of units during the year	<b>682,737</b>	7,006,261
Redemption of units during the year	<b>(1,602,279)</b>	(9,394,408)
Net decrease in units	<b>(919,542)</b>	(2,388,147)
<b>UNITS AT THE END OF THE YEAR</b>	<b>6,287,057</b>	7,206,599

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 SR	2021 SR
<b>Operating activities</b>		
Net income for the year	<b>(8,429,636)</b>	5,519,049
<i>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</i>		
Movement in unrealised loss on financial assets at FVTPL	<b>7,825,741</b>	16,688,904
Dividend income	<b>(2,008,969)</b>	(4,642,550)
	<b>(2,612,864)</b>	17,565,403
<i>Working capital adjustments:</i>		
Financial assets at FVTPL	<b>10,138,069</b>	(744,557)
Receivables and advances	<b>(1,888)</b>	(5,040)
Accrued expenses and other payables	<b>102,055</b>	25,555
Management fee payable	<b>63,317</b>	259
Cash flows from operations	<b>7,688,689</b>	16,841,620
Dividends received	<b>2,008,969</b>	4,642,550
Net cash flows from operating activities	<b>9,697,658</b>	21,484,170
<b>Financing activities</b>		
Proceeds from issuance of units	<b>5,421,207</b>	60,558,636
Payment on redemption of units	<b>(12,436,554)</b>	(83,903,553)
Net cash flows used in financing activities	<b>(7,015,347)</b>	(23,344,917)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,682,311</b>	(1,860,747)
Cash and cash equivalents at the beginning of the year	<b>1,171,427</b>	3,032,174
<b>Cash and cash equivalents at the end of the year</b>	<b>3,853,738</b>	1,171,427
<b>Composition of cash and cash equivalents</b>		
Balances held with custodian	<b>3,789,253</b>	1,171,427
Bank balances	<b>64,485</b>	-
<b>Total cash and cash equivalents</b>	<b>3,853,738</b>	1,171,427

Notes 1 to 12 form an integral part of these financial statements

# Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2022

### 1. INCORPORATION AND ACTIVITIES

Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund) (the “Fund”) is an investment fund established through an agreement between Alawwal Invest (the “Fund Manager”) and investors (the “unitholders”). The address of the Fund Manager is as follows:

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

The objective of the Fund is to achieve capital appreciation over the medium to long-term by investing in Shariah compliant shares of construction and cement companies listed on Tadawul (Saudi Stock Market). The Fund has become shariah compliant with effect from 17 January 2012.

The Fund is managed by the Fund Manager. The Fund Administration function is carried out by a department within HSBC Saudi Arabia that has reporting line and control structures, which are independent of the Asset management business. Albilad Capital is the custodian of the Fund. All income is reinvested in the Fund and is reflected in the unit price.

The Fund Manager has made certain revisions to the Terms and Conditions of the Fund. The latest update was approved by the Capital Market authority (“CMA”) on 18 September 2022.

Further to the announcement made in May 2021, HSBC Saudi Arabia transferred their Asset Management, Retail Brokerage and Retail Margin Lending businesses (together, the “Transferring Businesses”) on 15 September 2022. Effective from the end of business hours of 15 September 2022, Alawwal Invest became the fund manager of the transferred funds.

### 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 Rajab1442H. Corresponding to 24 February 2021G (the “Amended Regulations”). The amended regulations are effective from 19 Ramadan 1442, corresponding to 1 May 2021).

### 3. BASIS OF PREPARATION AND SIGNIFICANT 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 are prepared under the historical cost convention, using the accrual basis of accounting except for investments held at FVTPL that are measured at fair value. These financial statements are presented in Saudi Arabian Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR.

# Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

#### 3.3 Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Fund has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The following are the significant 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 short-term deposits in financial institutions 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.

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 and balances held with custodian.

##### *Financial instruments*

###### *(i) Classification*

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

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

- a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

##### *Financial assets*

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset
- Financial assets measured at amortised cost  
A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows 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.
- Financial assets measured at fair value through profit or loss (FVTPL)  
A financial asset is measured at fair value through profit or loss if:
  - i. Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI); and
  - ii. It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
  - iii. At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

# Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

#### 3.3 Significant accounting policies (continued)

##### *Financial liabilities*

- Financial liabilities measured at fair value through profit or loss (FVTPL)  
A financial liability is measured at FVTPL if it meets the definition of held for trading. The Fund does not hold any financial liabilities measured at FVTPL.
- Financial liabilities measured at amortised cost  
This category includes all financial liabilities, other than those measured at fair value through profit or loss.

##### *(ii) Recognition*

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### *(iii) Initial measurement*

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value including any directly attributable incremental costs of acquisition or issue.

##### *(iv) Subsequent measurement*

After initial measurement, the Fund measures financial instruments which are classified as at FVTPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income. Special commission income and dividends earned or paid on these instruments are recorded separately in special commission income or expense and dividend income or expense in the statement of comprehensive income.

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Fund's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises 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 derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.



# Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

#### 3.3 Significant accounting policies (continued)

##### (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.

##### (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.

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

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund’s accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable

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.

# Alawwal Invest Saudi Construction and Cement Companies Equity Fund (Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

#### 3.3 Significant accounting policies (continued)

##### *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 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 recognized 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 recognized for amounts to be paid in the future for services received, whether billed by the suppliers or not. These are initially recognized at fair value and subsequently at amortized 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.

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
(Formerly known as HSBC Saudi Construction and Cement Companies Equity Fund)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant 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 held for trading 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 Saudi Riyals 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 SR 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 recognized 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.

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Significant accounting policies (continued)**

*New standards, amendments and interpretations adopted by the Fund*

<b>Standards</b>	<b>Description</b>	<b>Mandatory effective date</b>
IFRS 1	First-time adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter	1 January 2022
IFRS 9	Financial instruments: Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 41 Agriculture	Taxation in fair value measurements	1 January 2022
Amendments to IAS 37	Onerous contracts: costs of fulfilling a contract	1 January 2022

*Standards issued but not yet effective and not early adopted*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Based on the Fund's assessment, the below standards are not expected to have potential impacts on the reported numbers and disclosures.

<b>Standards</b>	<b>Description</b>	<b>Mandatory effective date</b>
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax on leases and decommissioning obligations	1 January 2023
Amendments to IFRS 4	Change of fixed date of the temporary exemption from applying IFRS 9	1 January 2023

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**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 (mid price), without any deduction for transaction costs.

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).

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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 end is summarised below:

<i>31 December 2022</i>				
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain/ (loss) SR</i>
<b><i>Investments in equities (by sector)</i></b>				
Materials	86%	39,721,798	32,562,822	(7,158,976)
Capital Goods	14%	6,377,854	5,320,544	(1,057,310)
<b>Total</b>	<b>100%</b>	<b>46,099,652</b>	<b>37,883,366</b>	<b>(8,216,286)</b>
<i>31 December 2021</i>				
	<i>% of Market value</i>	<i>Cost SR</i>	<i>Market value SR</i>	<i>Unrealised gain/ (loss) SR</i>
<b><i>Investments in equities (by sector)</i></b>				
Materials	78%	45,405,399	43,301,697	(2,103,702)
Capital Goods	22%	10,832,322	12,545,479	1,713,157
<b>Total</b>	<b>100%</b>	<b>56,237,721</b>	<b>55,847,176</b>	<b>(390,545)</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.

6. TRANSACTIONS WITH RELATED PARTIES

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

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.

During the year, the Fund entered into the following transactions with related parties in the ordinary course of business.

<i>Related party</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>		<i>Balance</i>	
		<i>2022 SR</i>	<i>2021 SR</i>	<i>2022 SR</i>	<i>2021 SR</i>
Fund Manager	Fund management fee*	1,005,183	1,888,443	75,527	12,210
	Administration fee	29,564	55,542	2,094	2,834
	Board member fee	20,000	20,000	24,540	20,329
Saudi British Bank (Parent of Fund Manager)	Bank balances			64,485	-

\*Fund management fees include VAT amount of SR 131,111 (2021: 246,319).

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

**6. TRANSACTIONS WITH RELATED PARTIES (continued)**

The Fund Manager charges to the Fund on each Valuation Day, management fees at a rate of 1.70% of Net assets value (2021: 1.70% of Net assets value) and administration fees as a rate of 0.05% of Net value in addition to actual costs as per terms and conditions (2021:0.05% of Net assets value).

A. Transactions and balances with Funds managed by the Fund Manager

There are no units in issue as at 31 December 2022 (31 December 2021: Nil units) that are held by the Fund Manager or any other funds managed by the fund manager.

**7. ACCRUED EXPENSES AND OTHER PAYABLES**

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
S&P index fee payable	53,963	28,176
Accrued board meeting	24,540	20,329
Accrued audit fees	56,577	22,000
Others	62,870	25,390
	<u>197,950</u>	<u>95,895</u>

**8. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**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 December 2022</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	3,853,738	-	3,853,738
Financial assets at FVTPL	37,883,366	-	37,883,366
Receivables and advances	23,908	-	23,908
<b>TOTAL ASSETS</b>	<u>41,761,012</u>	<u>-</u>	<u>41,761,012</u>
<b>LIABILITIES</b>			
Accrued expenses and other payables	197,950	-	197,950
Management fee payable	75,527	-	75,527
<b>TOTAL LIABILITIES</b>	<u>273,477</u>	<u>-</u>	<u>273,477</u>

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

<i>As at 31 December 2021</i>	<i>Within 12 months SR</i>	<i>After 12 months SR</i>	<i>Total SR</i>
<b>ASSETS</b>			
Cash and cash equivalents	1,171,427	-	1,171,427
Financial assets at FVTPL	55,847,176	-	55,847,176
Receivables and advances	22,020	-	22,020
<b>TOTAL ASSETS</b>	<b>57,040,623</b>	<b>-</b>	<b>57,040,623</b>
<b>LIABILITIES</b>			
Management fee payable	12,210	-	12,210
Accrued expenses and other payables	95,895	-	95,895
<b>TOTAL LIABILITIES</b>	<b>108,105</b>	<b>-</b>	<b>108,105</b>

**10. FINANCIAL RISK MANAGEMENT**

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

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

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

***Risk management framework***

The Fund maintains positions in non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises of local equities.

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

***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 into with the Fund, resulting in a financial loss to the Fund.

The Fund is exposed to credit risk on its cash and cash equivalents and receivables. For risk management reporting purposes, the Fund considers external credit ratings from the reputed credit rating agencies.

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

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

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed. For all of transactions, the Fund mitigates this risk by conducting settlements through a regulated broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations

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



Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

*Credit risk (Continued)*

	<i>31 December 2022 SR</i>	<i>31 December 2021 SR</i>
Cash and cash equivalents	<b>3,853,738</b>	1,171,427
Receivable and advances	<b>23,908</b>	22,020
	<b>3,877,646</b>	1,193,447

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.

*Analysis of credit quality*

The Fund's cash and cash equivalents are held with SABB and with Albilad Investment Company which is a wholly owned subsidiary of Bank Albilad. Based on Moody's credit ratings, SABB is rated A2 (2021: A2) and Bank Albilad is rated A3 (2021: A3). Receivables and advances are usually related to the settlements of trades and issuance of the Fund's units in a normal course and does not carry credit risk.

*Allowance for expected credit losses*

Financial instruments such as cash and cash equivalents and receivables are of short term in nature and have limited credit exposure. Therefore, no allowance for expected credit losses is provided in these financial statements.

***Liquidity risk***

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

The Fund's Terms and Conditions provide for the subscriptions and redemptions of units on each business day, and it is, therefore, exposed to the liquidity risk of meeting unitholder redemptions.

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.

***Currency Risk***

Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Fund is not subject to currency risks as all the assets and liabilities of the Fund are denominated in Saudi Riyal. The investment risks of the fund are included in the Terms and Conditions detailed on the website of the Fund Manager at [www.alawwalinvest.com](http://www.alawwalinvest.com). The Terms and Conditions do not form part of the financial statements.

***Equity price risk***

Equity price risk is the risk that the fair value of equities changes as the result of changes in the levels of equity indices and the value of individual stocks.

Alawwal Invest Saudi Construction and Cement Companies Equity Fund  
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2022

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

*Sensitivity analysis*

The table below sets out the effect on net assets attributable to Unitholders of a reasonably possible weakening / strengthening in the individual equity market prices of 5% at reporting date. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	2022		2021	
	%	SR	%	SR
Net gain / (loss) on investments held at	+ 5%	<b>1,894,168</b>	+ 5%	2,792,359
FVTPL	- 5%	<b>(1,894,168)</b>	- 5%	(2,792,359)

**11. LAST VALUATION DAY**

The last valuation day of the year was 31 December 2022 (2021: 31 December 2021).

**12. APPROVAL OF FINANCIAL STATEMENTS**

These audited financial statements were approved by the Fund's management on 6 Ramadan 1444H (corresponding to 28 March 2023).