



ALBILAD MSCI US TECH ETF

C) Fund Manager

1) Name and address of the fund manager

Al-Bilad Investment Company "Al-Bilad Capital

King Fahd Branch Road - OLAYA 8162

Unit No. 22

Riyadh 12313-3701

Saudi Arabia.

Phone: 8001160002 Fax: (966+) 112906299

Al-Bilad Investment Company website: www.albilad-capital.com

2) Names and addresses of sub-manager and/or investment advisor (if any)

Not applicable.

3) Review of the investment activities during the period

Not applicable.

4) A report of investment fund performance during the period

The benchmark's performance during the period was better than the fund's performance by 0.09%. Where the fund achieved 31.75% in comparison with the benchmark's performance which achieved 31.84%.

5) Details of any material changes to the Fund's Terms and Conditions

A Typo error in the date of the first audited financial statement of the fund.

Albilad Capital Headquarters:

Telephone: +966 920003636

Fax: +966 11 2906299

PO Box: 140 Riyadh 11411, Saudi Arabia

For more information contact us at:

Asset Management

Telephone: +966 11 2039888

Fax: +966 11 2039899

Website: <http://www.albilad-capital.com/En/AssetManagement>



Disclaimer: Past performance of the fund is no guide to future performance and the value of investments and income from them can fall as well as rise. Where included, benchmark and index data included in this document are provided for illustrative purposes only To ensure proper understanding of the product and its suitability to the investor's risk profile, it is strongly recommend that the investor read the agreement and the terms and conditions of the fund. All rights reserved to Albilad Investment Company 2021© . (Commercial Registration No. 1010240489) dated 10/07/2017 G, 10/16/1438 H, and is regulated by Saudi Arabia's Capital Market Authority (license No. 08100-37) dated 01/08/1428H 14/08/2007



ALBILAD MSCI US TECH ETF

6) Any other information that would enable unitholders to make an informed judgement about the fund's activities during the period

Not applicable.

7) Any other information that would enable unitholders to make an informed judgment about the fund's activities during the period

Not applicable.

8) A statement on any special commission received by the fund manager during the period, clearly identifying what they are and the manner in which they were utilized

Not applicable.

9) Any other data and other information required by these Regulations to be included in this report.

Not applicable.

10) Period for the management of the person registered as fund manager

Since Jan 2023 —Six Months.

11) A disclosure of the expense ratio of each underlying fund at the end of year and the weighted average ratio of all underlying funds that invested in

Not applicable.

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F) Financial Statements

Financial statements for the annual accounting period of the investment fund has been prepared in accordance with SOCPA standards. (Financial Statements attached).

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**ALBILAD MSCI US TECH ETF
(AN OPEN-ENDED EXCHANGE TRADED FUND MANAGED BY
ALBILAD INVESTMENT COMPANY)**

**INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS
AND THE FUND MANAGER**

**FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF
OPERATIONS) TO 30 JUNE 2023**

**ALBILAD MSCI US TECH ETF
(AN OPEN-ENDED EXCHANGE TRADED FUND MANAGED BY ALBILAD INVESTMENT COMPANY)
INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023**

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Report on review of interim financial statements

To the Unitholders and the Fund Manager of
Albilad MSCI US Tech ETF

Introduction

We have reviewed the accompanying interim statement of financial position of Albilad MSCI US Tech ETF (the "Fund") as of 30 June 2023 and the related interim statements of comprehensive income, changes in equity attributable to the unitholders and cash flows for the period from 23 January 2023 (date of commencement of operations) to 30 June 2023, and notes, comprising significant accounting policies and other explanatory notes. Fund Manager is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 then ended in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447



10 August 2023

ALBILAD MSCI US TECH ETF
INTERIM STATEMENT OF FINANCIAL POSITION
 (All amounts in Saudi Riyals '000' unless otherwise stated)

| | Note | As at 30 June 2023 (Un-audited) |
|---|------|--|
| Assets | | |
| Cash and cash equivalents | 5 | 1,053 |
| Investments held at fair value through statement of income (FVSI) | 6 | 22,428 |
| Dividend receivable | | 6 |
| Total assets | | 23,487 |
| Liabilities | | |
| Accrued management fee | 7 | 13 |
| Accruals and other liabilities | | 1,597 |
| Total liabilities | | 1,610 |
| Equity attributable to the unitholders | | 21,877 |
| Units in issue in thousands | | 1,700 |
| Equity per unit in Saudi Riyals | | 12.8688 |

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

ALBILAD MSCI US TECH ETF
INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 (All amounts in Saudi Riyals '000' unless otherwise stated)

| | Note | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 |
|---|-------------|---|
| Income | | |
| Realised gain on sale of investments held at FVSI | | 1,415 |
| Unrealised gain on re-measurement of investments held at FVSI | | 2,714 |
| Dividend income | | 34 |
| Total income | | 4,163 |
| Expenses | | |
| Management fee | 7 | (13) |
| Other expenses | 8 | (203) |
| Total expenses | | (216) |
| Income for the period | | 3,947 |
| Other comprehensive income for the period | | - |
| Total comprehensive income for the period | | 3,947 |

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

ALBILAD MSCI US TECH ETF
INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)
(All amounts in Saudi Riyals '000' unless otherwise stated)

| | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 |
|--|---|
| Equity attributable to the unitholders at the beginning of the period | - |
| Total comprehensive income for the period | 3,947 |
| Changes from units transactions | |
| Proceeds from issuances of units | 31,905 |
| Payment against redemptions of units | (13,975) |
| Net change from units transactions | 17,930 |
| Equity attributable to the unitholders at the end of the period | 21,877 |

Transactions in units are summarized as follows:

| | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 |
|---|---|
| | Units '000' |
| Units at beginning of the period | - |
| Units issued | 2,800 |
| Units redeemed | (1,100) |
| Net change in units | 1,700 |
| Units at the end of the period | 1,700 |

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

ALBILAD MSCI US TECH ETF
INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
 (All amounts in Saudi Riyals '000' unless otherwise stated)

| | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 |
|---|---|
| Cash flows from operating activities | |
| Income for the period | 3,947 |
| Adjustments for: | |
| - Unrealised gain on re-measurement of investments held at FVSI | (2,714) |
| - Dividend income | (34) |
| | <u>1,199</u> |
| Net changes in operating assets and liabilities | |
| Investments held at FVSI | (19,714) |
| Accrued management fee | 13 |
| Accruals and other liabilities | 1,597 |
| Cash used in operating activities | <u>(18,104)</u> |
| Dividends received | <u>28</u> |
| Net cash used in operating activities | <u>(16,877)</u> |
| Cash flows from financing activities | |
| Proceeds from issuances of units | 31,905 |
| Payment against redemptions of units | (13,975) |
| Net cash generated from financing activities | <u>17,930</u> |
| Net change in cash and cash equivalents | 1,053 |
| Cash and cash equivalents at the beginning of the period | <u>-</u> |
| Cash and cash equivalents at the end of the period | <u>1,053</u> |

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

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Albilad MSCI US Tech ETF (the "Fund") is an open-ended Exchange Traded Fund established and managed by Albilad Investment Company ("the Fund Manager"), a subsidiary of Bank AlBilad (the "Bank") for the benefit of the Fund's unitholders (the "unitholders"). The objective of the Fund is to achieve long-term growth and capital gains through the Passive Management of a Basket of US stocks that comply with the Shariah Supervisory Committee Standards and are listed in the US Market and concentrated in the technology sector, seeking to achieve a high performance level that simulates the performance of the Benchmark Index before calculating any dividends, fees or expenses.

The activities of the Fund conform to the rules and controls set by the Sharia Board.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent accounting unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, unitholders are considered to be owners of the assets of the Fund. The management of the Fund is the responsibility of the Fund Manager.

Riyad Capital is the "Custodian" of the Fund.

In December 2021, the Capital Market Authority (CMA) approved Albilad Investment Company's request to offer and register "Albilad MSCI US Tech ETF" units on Saudi Stock Exchange (Tadawul) as Exchange Traded Fund (ETF). The Fund started trading on Tadawul as an ETF on 1 Rajab 1444AH (corresponding to 23 January 2023, with the symbol 9406).

According to the Terms and Conditions of the Fund, its first annual financial period starts from the commencement date of its operations i.e. 1 Rajab 1444AH (corresponding to 23 January 2023). The first annual financial statements will be for the period from 23 January 2023 (commencement date of its operations) to 31 December 2023. According to the Terms and Conditions of the Fund, the financial statements for the subsequent period will be prepared from 1 January 2024 to 31 December 2024.

The Fund is governed by the Investment Funds Regulations ("IFR") published by the Capital Market Authority ("CMA") on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) as amended by the resolution of the CMA Board on 12 Rajab 1442H (corresponding to 24 February 2021).

1.1 PRIMARY MARKET OPERATION (ISSUANCE AND REDEMPTION OF UNITS)

The primary market operations are only carried out by the Fund Manager and authorized by Albilad Investment Company (Market Maker). The Issuance and Redemption activities are done on the basis of blocks of exchange traded fund (ETF) units (for the Fund, one block equals 100,000 ETF Units), referred to Issuance and Redemption of Units respectively. The process of issuance and redemption of ETF units is on an in-kind basis whereby the Fund Manager and the Market Maker interexchange ETF Units of the Fund and the basket of assets, through the Custodian, for the purpose of issuance and redemption of ETF units. The issued units are then freely floated on Tadawul for public trading.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

The Fund has prepared a complete set of interim financial statements for its interim financial reporting as allowed under IAS 34 - "Interim Financial Reporting". Accordingly, these interim financial statements conform to the requirements of IAS 1 - "Presentation of Financial Statements", relating to a complete set of financial statements.

2.2 Basis of measurement

The interim financial statements have been prepared on a historical cost convention using the accrued basis of accounting, except for the fair valuation of investments held at fair value through statement of income (FVSI).

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

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

2 BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at date of the interim statement of financial position. Foreign exchange gains and losses, if any, arising from translation are included in the interim statement of comprehensive income.

2.4 Significant accounting estimates and assumptions

The preparation of these interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. There are no areas of significant judgment or critical assumption used in the preparation of these interim financial statements.

Going concern

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these interim financial statements are set out below:

New and amended standards adopted by the Fund

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2023. Fund Manager has assessed that the amendments have no impact on the Fund's interim condensed financial statements.

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.
- 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.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards not yet effective and not early adopted by the Fund

The listing of standards and interpretations issued which are applicable at a future date are as follows. The Fund intends to adopt these standards when they become effective. These amendments and standards are not expected to have any impact on the interim condensed financial statements of the Fund.

| Standard/ interpretation | Description | Effective from periods beginning on or after |
|---|---|---|
| Amendment to IFRS 16 – Leases on sale and leaseback | These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. | 1 January 2024 |
| 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. | 1 January 2024 |
| Amendment to IAS 1 – Non-current liabilities with covenants | These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. | 1 January 2024 |
| IFRS S1, 'General requirements for disclosure of sustainability-related financial information | This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain. | 1 January 2024 subject to endorsement from SOCPA |
| IFRS S2, 'Climate-related disclosures' | This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities. | 1 January 2024 subject to endorsement from SOCPA |

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Cash and cash equivalents

For the purposes of the interim statement of cash flows, cash and cash equivalents comprise balance with Bank Albilad and balance held in a custodian account with Riyadh Capital, if any. Cash and cash equivalents are carried at amortised cost in the interim statement of financial position.

3.2 Financial instruments

Financial instruments are recognised at the time when the Fund becomes party to the contractual provisions of the instrument.

3.2.1 Measurement methods

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument i.e. Trade date.

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

3.2.2 Classification and measurement of financial instruments

The Fund classifies its equity instruments at FVSI and other financial assets at amortised cost. The classification requirements for equity and debt instruments are described below:

Equity instruments

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

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

The subsequent unrealised revaluation gains / loss on investment held at FVSI is recognised in interim statement of income. Currently the Fund's investments in shares is classified as FVSI.

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- The Fund's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on the business model and cash flow characteristics, the debt financial assets can be classified as held at amortised cost, FVSI and FVOCI. Currently cash and cash equivalents and dividend receivable are carried at amortised cost.

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial instruments (continued)

3.2.3 Impairment of financial assets measured at amortised cost

The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt financial assets carried at amortised cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Under IFRS 9, loss allowances are measured on either of the following bases:

- a) 12-month ECLs: these ECLs that result from possible default events within the 12 months after the reporting date; and
- b) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

3.2.4 De-recognition of financial instruments

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

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

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

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3.2.5 Financial liabilities

All financial liabilities are initially recognised at fair value less transaction cost except for financial liabilities measured at FVSI where transaction cost, if any, are not deducted from the fair value measurement at initial recognition and are included in the interim statement of income. The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVSI.

3.3 Trade date accounting

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

3.4 Offsetting of financial instruments

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

ALBILAD MSCI US TECH ETF
NOTES TO THE INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD FROM 23 JANUARY 2023 (DATE OF COMMENCEMENT OF OPERATIONS)
TO 30 JUNE 2023

(All amounts in Saudi Riyals '000' unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Accruals and other liabilities

Liabilities are recognised for amounts to be paid for goods or serviced received whether or not billed to the Fund. Accruals and other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

3.6 Equity attributable to the unitholders

Equity attributable to unitholders is equity and is made up of units issued and retained earnings.

(a) Redeemable Units

The Fund classifies its redeemable units as an equity instrument if the redeemable units have all of the following features:

- It entitles the holder to a pro rata share of the Fund's equity in the event of the Fund's liquidation.
- The instrument is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- The instrument does not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata shares of the Fund's equity.
- The total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the interim statement of income, the change in the recognised equity or the change in the fair value of the recognised and unrecognised equity of the Fund over the life of the instrument.

In addition - in order to classify instruments as equity - 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 equity or the change in the fair value of the recognised and unrecognised equity of the Fund.
- The effect of substantially restricting or fixing the residual return to the instrument holders.

The Fund's redeemable participating units meet the definition of puttable instruments classified as equity instruments under IAS 32.16 A-B and accordingly, are classified as equity instruments.

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have any of the features or meet all the conditions set out in paragraphs 16A and 16B of IAS 32, 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 equity attributable to unitholders. If the redeemable units subsequently have all the features and meet the conditions set out in paragraphs 16A and 16B of IAS 32, 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 subscription and redemption of redeemable units are accounted for as equity transactions as long as units are classified as equity.

The Fund's distributions if any, are classified as dividends paid in the interim statement of changes in equity attributable to the unitholders.

(b) Trading in the units

Units of the Fund are available for purchasing only in the Kingdom of Saudi Arabia at Tadawul by natural and corporate persons. The equity value of the Fund is determined on every day from Sunday to Thursday ("Valuation Days") by dividing the net value of assets (fair value of total assets minus liabilities) by the total number of outstanding units on the relevant Valuation Day.

3.7 Taxation

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

3.8 Zakat

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

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Value added tax (VAT)

Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of services to customers. The other entities that transact business with the Fund withhold taxes or recover VAT on services rendered to the Fund. As the Fund cannot recover these amounts, these are expensed in the interim statement of income.

3.10 Revenue recognition

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

Dividend income is recognised when the Fund's right to receive dividends is established.

Realised gain on disposal of investments held at FVSI is measured as the difference between the sales proceed and the carrying value before disposal.

In accordance with the Sharia Board's resolutions, income prohibited by Sharia received by the Fund is excluded from the determination of income and is recorded as other liabilities in the interim statement of financial position. Such amount is determined based on the information available to the Fund Manager on the nature of earnings of investees upon the preparation of these interim financial statements. Income prohibited by Sharia is paid to charities on a quarterly basis.

3.11 Management fee

Management fee is calculated at rate mentioned in terms and conditions of the Fund and is payable quarterly in arrears.

3.12 Other expenses

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

3.13 Equity value per unit

The Equity value per unit as disclosed in the interim statement of financial position is calculated by dividing the equity of the Fund by the number of units outstanding at period end.

4 MANAGEMENT FEE AND OTHER CHARGES

On each valuation day, the Fund Manager charges the Fund, a management fee at the rate of 0.75% per annum of the Fund's net assets value. In addition, on a daily basis the Fund Manager charges the Fund, custody fees 0.05% of the Fund's Net Asset Value of the listed and 0.03% for unlisted financial securities and Investment Fund Units, to be calculated on each Calendar day and deducted on a monthly basis.

Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, and other similar charges.

5 CASH AND CASH EQUIVALENTS

| | Note | As at 30 June 2023 (Un-audited) |
|------------------------|------|---------------------------------------|
| Bank balance | 7 | 180 |
| Balance with custodian | 7 | 873 |
| | | <u>1,053</u> |

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6 INVESTMENT HELD AT FVSI

The Fund invests primarily in stocks listed in US Market concentrated in technology sector that comply with the Shariah Supervisory Committee Standards. The sector-wise portfolio of investments carried at FVSI is summarized as follows:

| | As at 30 June 2023 (Un-audited) |
|------------------------|--|
| Technology | 13,594 |
| Healthcare | 5,490 |
| Consumer cyclical | 2,272 |
| Industrials | 595 |
| Real estate | 206 |
| Energy | 115 |
| Basic materials | 106 |
| Consumer, non-cyclical | 50 |
| | 22,428 |

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the Fund Manager, Custodian, other funds managed by the Fund Manager, Fund Board, key management personnel and any businesses which are controlled, either directly or indirectly, by the unitholders or over which they exercise significant influence ("affiliate"). The Fund enters into transactions in the normal course of business with these parties at prices and terms agreed between the parties.

Transactions with related parties

In the ordinary course of its activities, the Fund transacts business with related parties. Related party transactions are in accordance with the terms and conditions of the Fund. All the related party transactions are approved by the Fund Board.

Following table contains the details of transactions with related parties:

| Related party | Nature of relationship | Nature of transaction | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 (Un-audited) |
|----------------------------|-------------------------------|------------------------------|--|
| AlBilad Investment Company | Fund Manager | Management fee | 13 |
| Riyad Capital | Custodian of the Fund | Custody fee | 3 |
| Fund Board | Members of the Fund Board | Fund Board fee | 1 |

Following table summarises the details of balances with related parties:

| Nature of Balance | Related Party | As at 30 June 2023 (Un-audited) |
|--------------------------|---|--|
| Custody fee payable | Riyad Capital - Custodian of the Fund | 3 |
| Bank balances | Bank Albilad - Parent of the Fund Manager | 180 |
| Investment account | AlBilad Investment Company – Fund Manager | 873 |
| Accrued management fee | AlBilad Investment Company – Fund Manager | 13 |
| Payable to Fund Manager | AlBilad Investment Company – Fund Manager | 1,597 |
| Fund Board fee payable | Members of the Fund Board | 1 |

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8 OTHER EXPENSES

| | Note | For the period from 23 January 2023 (date of commencement of operations) to 30 June 2023 (Un-audited) |
|-------------------------|------|--|
| Administrative expenses | | 26 |
| Custodian fees | 7 | 3 |
| Fund Board fee | | 1 |
| Other expenses | 8.1 | 173 |
| | | <u>203</u> |

8.1 Other expenses mainly include expenditures relating to the Fund's establishment and fee pertaining to the accounting services of the Fund.

9 FINANCIAL RISK MANAGEMENT

9.1 Financial risk factors

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

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

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

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

(a) Market Risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange risk, commission rate risk and price risk.

(i) Price risk

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

The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund is exposed to market risk due to its investment held at FVSI. The Fund Manager closely monitors the price movement of its financial instruments listed at US Stock Exchange in technology sector. The Fund's Portfolio Constituents are evaluated according to the latest closing of the US Market. Accordingly, the indicative Unit price announced in the Market will reflect the closing price of the Market on the preceding day, which may be different from the Unit trading price. The Fund manages the risk through diversification of its investment portfolio by investing in various industry sectors as allowed by the Terms and Condition of the Fund.

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9 FINANCIAL RISK MANAGEMENT (continued)

9.1 Financial risk factors (continued)

(a) Market Risk (continued)

(i) Price risk (continued)

Industry concentration of the investment portfolio of the Fund, is disclosed in the table below:

| Industry sector | As at 30 June 2023 (Un-audited) | |
|------------------------|--|---------------------|
| | % of total market value | Market value |
| Technology | 60.6% | 13,594 |
| Healthcare | 24.5% | 5,490 |
| Consumer cyclical | 10.1% | 2,272 |
| Industrials | 2.7% | 595 |
| Real estate | 0.9% | 206 |
| Energy | 0.5% | 115 |
| Basic materials | 0.5% | 106 |
| Consumer, non-cyclical | 0.2% | 50 |
| | 100.00% | 22,428 |

The effect on the equity value (as a result of change in fair value of investments as at 30 June) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constant is as follows:

| Industry sector | As at 30 June 2023 (Un-audited) | |
|------------------------|--|----------------------|
| | Potential reasonable change % | Effect on NAV |
| Technology | +/-5 | 680 |
| Healthcare | +/-5 | 275 |
| Consumer cyclical | +/-5 | 114 |
| Industrials | +/-5 | 30 |
| Real estate | +/-5 | 10 |
| Energy | +/-5 | 6 |
| Basic materials | +/-5 | 5 |
| Consumer, non-cyclical | +/-5 | 3 |
| | | 1,123 |

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9 FINANCIAL RISK MANAGEMENT (continued)

9.1 Financial risk factors (continued)

(a) Market Risk (continued)

(ii) Foreign currency risk

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

The Fund trades in Saudi Riyal, while most of the Fund's Investments will be denominated in US Dollar. Currently, SAR is pegged to US Dollar therefore the Fund is not exposed to foreign exchange risk. Consequently, no foreign currency sensitivity analysis has been presented.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. As at 30 June 2023, the Fund is exposed to credit risk on the following:

| | |
|---------------------------|---------------------|
| | 30 June 2023 |
| | (Un-audited) |
| Cash and cash equivalents | <u>1,053</u> |
| Dividend receivable | <u>6</u> |
| | <u>1,059</u> |

Cash and cash equivalents are held with the financial institutions with investment grade credit rating, therefore the impact of expected credit losses on these balances is insignificant.

(c) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's Terms and Conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realisable and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund. The Fund settles its financial liabilities relating to accrued management fee and other expenses on quarterly basis.

The expected maturity of the assets and liabilities of the Fund is less than 12 months.

Interest rate and liquidity risk management

The Fund is not exposed to interest rate risk as it does not have any interest bearing financial assets. Ultimate responsibility for liquidity risk management rests with the Fund Manager, which has established an appropriate liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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9 FINANCIAL RISK MANAGEMENT (continued)

9.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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

| At 30 June 2023 (Un-audited) | Less than 7 days | 7 days to 1 month | 1-12 months | More than 12 months |
|-------------------------------------|-------------------------|--------------------------|--------------------|----------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 1,053 | - | - | - |
| Investments held at FVSI | 22,428 | - | - | - |
| Dividend receivable | 1 | 5 | - | - |
| | 23,482 | 5 | - | - |
| Financial liabilities | | | | |
| Accrued management fee | - | - | 13 | - |
| Accruals and other liabilities | - | - | 1,597 | - |
| | - | - | 1,610 | - |
| Liquidity gap | 23,482 | 5 | (1,610) | - |

(d) Operational risk

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

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

9.2 Capital risk management

The capital of the Fund is represented by the equity attributable to holders of redeemable units. The amount of equity attributable to holders of redeemable units can change significantly on each Valuation Day, as the Fund is subject to subscriptions and redemptions at the discretion of unitholders on every Valuation Day, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to monitor the level of subscriptions and redemptions relative to the assets it expects to be able to liquidate and adjust the amount of dividend distributions the Fund pays to redeemable units.

The Fund Board and Fund Manager monitor capital on the basis of the value of equity attributable to redeemable unitholders.

10 FAIR VALUE ESTIMATION

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

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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10 FAIR VALUE ESTIMATION (continued)

The fair value hierarchy has the following levels:

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

The estimated fair value of the Fund's financial assets and liabilities not carried at fair value, is not considered to be significantly different from their carrying values. The fair value of investments held at FVSI are based on quoted prices in active markets and are therefore classified within Level 1.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) at 30 June 2023:

| At 30 June 2023 (Un-audited) | Carrying amount | Fair value | | | Total |
|--|-----------------|---------------|---------|--------------|---------------|
| | | Level 1 | Level 2 | Level 3 | |
| <i>Financial assets not measured at fair value</i> | | | | | |
| Cash and cash equivalents | 1,053 | - | - | 1,053 | 1,053 |
| Dividend receivable | 6 | - | - | 6 | 6 |
| <i>Financial assets measured at fair value</i> | | | | | |
| Investments held at FVSI | 22,428 | 22,428 | - | - | 22,428 |
| | 23,487 | 22,428 | - | 1,059 | 23,487 |
| <i>Financial liabilities not measured at fair value</i> | | | | | |
| Accrued management fee | 13 | - | - | 13 | 13 |
| Accruals and other liabilities | 1,597 | - | - | 1,597 | 1,597 |
| | 1,610 | - | - | 1,610 | 1,610 |

11 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities as at 30 June 2023, were classified under amortized cost category except for investments held at FVSI which are classified as and measured at fair value.

12 LAST VALUATION DAY

In accordance with the Terms and Conditions of the Fund, the last valuation day for the purpose of the preparation of these interim financial statements for the period was 30 June 2023.

13 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved and authorized for issuance by the Fund Board on 09 August 2023 corresponding to 22 Muharram 1445H.