Grant Thornton
Al-Qatami, Al-Aiban & Partners

Interim condensed financial information and review report

# Warba Islamic USD Money Market Fund

## Kuwait

For the period from 3 December 2023 (date of establishment) to 31 December 2023

**(Unaudited)**

# Contents

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# Report on review of interim condensed financial information

To the Fund Manager of
Warba Islamic USD Money Market Fund
State of Kuwait

*Introduction*
We have reviewed the accompanying interim condensed statement of financial position of Warba Islamic USD Money Market Fund (the "Fund") as of 31 December 2023, and the related interim condensed statements of profit or loss and other comprehensive, changes in net assets attributable to unitholders and cash flows for the period from 3 December 2023 (date of establishment) to 31 December 2023, and notes to the interim condensed financial information. The Fund Manager is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial information 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." 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

**Report on review of other legal and regulatory matters**
Based on our review, the interim condensed financial information is in agreement with the books of account of the Fund. We further report that, to the best of our knowledge and belief, no violations of the Law No. 7 of 2010 for the establishment of Capital Markets Authority and the Organisation of Financial Securities Activities and its Executive Regulations or of the Articles of Association of the Fund, as amended, have occurred during the period from 3 December 2023 to 31 December 2023 that might have had a material effect on the business or financial position of the Fund.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
17 January 2024

# Interim condensed statement of profit or loss and other comprehensive income

| | Note | Period from 3 Dec. 2023 (date of establishment) to 31 Dec. 2023 USD |
|---|---|---|
| **Income** | | |
| Wakala income | | 33,206 |
| Other income | | 580 |
| | | 33,786 |
| **Expenses** | | |
| Management fees | 9 | - |
| | | - |
| **Net profit for the period** | | 33,786 |
| Other comprehensive income | | - |
| **Total comprehensive income for the period** | | 33,786 |

*The notes set out on pages 6 to 15 form an integral part of this interim condensed financial information.*

# Interim condensed statement of financial position

| | Note | 31 Dec. 2023 (Unaudited) USD |
|---|---|---|
| **Assets** | | |
| Bank balance | 6 | 1,080 |
| Wakala deposits | 6.1 | 19,456,040 |
| Other assets | | 33,206 |
| **Total assets** | | 19,490,326 |
| **Liabilities** | | |
| Other liabilities | | - |
| **Total liabilities** | | |
| **Net assets attributable to the holders of redeemable units** | | 19,490,326 |
| **Represented by:** | | |
| Unit holder's contributions | 8 | 19,456,540 |
| Retained earnings | | 33,786 |
| **Total** | | 19,490,326 |
| Outstanding number of redeemable units | 8 | 1,945,654 |
| **Net Asset Value ("NAV") per unit** | 8 | 10.017365 |

Gulf Custody Company - KSCC
Fund Custodian and Investment Controller

Warba Bank KSCP
Fund Manager

*The notes set out on pages 6 to 15 form an integral part of this interim condensed financial information.*

# Interim condensed statement of changes in net assets attributable to unitholders

| | Unitholders' contributions USD | Retained Earnings USD | Total USD |
|---|---|---|---|
| **Balance as at 3 December 2023 (date of establishment)** | - | - | - |
| Subscription of units during the period | 19,456,540 | - | 19,456,540 |
| **Total transactions with unitholders** | 19,456,540 | - | 19,456,540 |
| **Total comprehensive income for the period** | - | 33,786 | 33,786 |
| **Balance as at 31 December 2023 (unaudited)** | 19,456,540 | 33,786 | 19,490,326 |

*The notes set out on pages 6 to 15 form an integral part of this interim condensed financial information.*

# Interim condensed statement of cash flows

| | Note | Period from 3 Dec, 2023 (date of establishment) to 31 Dec. 2023 USD |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| **Profit for the period** | | 33,786 |
| *Changes in operating assets and liabilities:* | | |
| Other assets | | (33,206) |
| **Net cash from operating activities** | | 508 |
| **FINANCING ACTIVITIES** | | |
| Subscription of redeemable units | | 19,456,540 |
| **Net cash from financing activities** | | 19,456,540 |
| **Net change in cash and cash equivalents** | | 19,457,120 |
| Cash and cash equivalents at beginning of the period | | - |
| **Cash and cash equivalents at end of the period** | 6 | 19,457,120 |

*The notes set out on pages 6 to 15 form an integral part of this interim condensed financial information.*

# Notes to the interim condensed financial information

## 1 Incorporation and activities

Warba Islamic USD Money Market Fund (the "Fund") is an open-ended fund established on 3 December 2023 in the State of Kuwait. The Fund is governed under Law No. 7 of 2010, as amended, pertaining to the establishment of the Capital Markets Authority (the "CMA") and the regulation of securities activity.

The fund is managed by Warba Bank KSCP (the "Fund Manager") and the custodian and investment controlling activities are managed by the Gulf Custody Company KSCC (the "Custodian and Investment Controller").

The term of the Fund shall be fifteen (15) years from the date of inception and can be renewed for similar term(s) on approval of the majority of the unitholders and the CMA.

The Fund's objective is to provide attractive investment opportunities for those wishing to invest in the field of monetary market instruments and deposits with banks in accordance with their deposit systems, Islamic Sukuks offered by central banks, government agencies, banks or companies with high credit quality, and units of money market funds licensed by the Authority in the State of Kuwait or subject to another regulatory body in the GCC countries and other countries that comply with the provisions of Islamic law, and in accordance with the Sharia rules and controls approved by the External Sharia Audit Office.

The Fund Manager's registered office is Warba Bank, Araya Tower, Floor 10, Sharq, State of Kuwait.

The interim condensed financial information was authorised for issuance by the Fund Manager and Fund Custodian and Investment Controller on 17 January 2024.

## 2 Basis of preparation and presentation

The interim condensed financial information of the Fund for the period from 3 December 2023 (date of establishment) to 31 December has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

This is the initial interim condensed financial information of Fund and therefore, no comparative information has been presented.

The first annual financial statements for the period ending 31 December 2024 will be prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The interim condensed financial information has been prepared on historical cost basis. The interim condensed financial information has been presented in US Dollars ("USD") which is the functional and presentation currency of the Fund.

The interim condensed financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Fund's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period from 3 December 2023 (date of establishment) to 31 December 2023 are not necessarily indicative of the results that may be expected for the reporting period ending 31 December 2024.

# Notes to the interim condensed financial information (continued)

## 3 Changes in accounting policies

### 3.1 IASB Standards issued but not yet effective

At the date of authorisation of these interim condensed financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Fund's interim condensed financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Fund's interim condensed financial statements.

| *Standard or Interpretation* | *Effective for annual periods beginning* |
|---|---|
| IAS 1 Amendments- Classification of liabilities as current or non-current | 1 January 2024 |
| IAS 21 Amendments – Lack of exchangeability | 1 January 2025 |

**IAS 1 Amendments - Classification of liabilities as current or non-current**

The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Fund's interim condensed financial information.

**IAS 21 Amendments – Lack of exchangeability**

The amendments to IAS 21 addresses determination of exchange rate when there is long term lack of exchangeability. The amendments:

- Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Fund's interim condensed financial information.

# Notes to the interim condensed financial information (continued)

## 4 Material accounting policies

The material accounting policies adopted in the preparation of these Interim Condensed financial information are set out below.

### 4.1 Revenue recognition

Wakala income is recognised on a time proportionate basis using the effective profit rate method.

Income on investments carried at amortised cost is recognised on a time proportionate basis using the effective profit rate method.

### 4.2 Financial instruments

#### *4.2.1 Recognition, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are 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.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

- rights to receive cash flows from the assets have expired;
- 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 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 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.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of profit or loss and other comprehensive income.

# Notes to the interim condensed financial information (continued)

## 4 Material accounting policies (continued)

### 4.2 Financial instruments (continued)

#### *4.2.2 Classification financial assets*

For the purpose of subsequent measurement, financial assets are classified as financial assets at amortised cost upon initial recognition.

The classification is determined by both:
- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Fund may make the following irrevocable election/designation at initial recognition of a financial asset:
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the period presented no such designation has been made.

#### *4.2.3 Subsequent measurement of financial assets*

- ***Financial assets at amortised cost***

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows

  the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Fund's financial assets at amortised cost comprise of the following:

- *Cash and cash equivalents*

Cash and cash equivalents comprise of cash at bank and Wakala deposits with original maturities of less than three months. Cash and cash equivalents are subject to insignificant changes in their fair value and are used by the Fund in the management of its short-term commitments.

- *Wakala deposits*

Wakala deposits are initially measured at fair value (transaction price). Subsequent to initial recognition, Wakala deposits are measured at amortised cost using the effective profit rate method, less any expected credit losses.

- *Accounts receivables and other financial assets*

Accounts receivables arising from the activities of the Fund are to be recognised at amortised cost as the Fund manager has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Fund analysed the contractual cash flow characteristics of these instruments and concluded that they meet the criteria for measurement under the amortised cost method

# Notes to the interim condensed financial information (continued)

## 4 Material accounting policies (continued)

### 4.2 Financial instruments (continued)

#### *4.2.4 Impairment of financial assets*

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Fund recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Fund always recognises lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Fund recognises an impairment gain or loss in the statement of profit or loss and other comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

#### *4.2.5 Classification and subsequent measurement of financial liabilities*

The Fund's financial liabilities includes other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- ***Financial liabilities at amortised cost***

These are stated using effective interest rate method. accounts payable and other liabilities are classified as financial liabilities other than at FVTPL.

# Notes to the interim condensed financial information (continued)

## 4 Material accounting policies (continued)

### 4.2 Financial instruments (continued)

#### *4.2.5 Classification and subsequent measurement of financial liabilities (continued)*

- ***Financial liabilities at amortised cost (continued)***

  - *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as Trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other financial liabilities".

#### *4.2.6 Amortised cost of financial instruments*

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

#### *4.2.7 Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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 assets and settle the liabilities simultaneously.

#### *4.2.8 Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

#### *4.2.9 Unitholders' contributions*

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has one class of redeemable units in issue. These units are the most subordinate category of financial instruments issued by the Fund and, on liquidation of the Fund, unit holders are entitled to the residual net assets, after repayment of the nominal number of units. The redeemable units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at redemption date and also in the event of the Fund's liquidation. The Fund's redeemable units meet all those conditions that are required to be met for a puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset to be classified as equity.

#### *4.2.10 Net assets attributable to Unitholders ("NAV") and NAV per Unit*

It is the value of the Fund's investments as determined in accordance with the provisions of the Fund's Articles of Association, plus other assets including cash and other debit balances minus the Fund's liabilities towards third parties on the same date (without considering the proposed cash distributions to the Fund's subscribers, if any). NAV per unit is calculated in accordance with the Articles of Association of the Fund, by dividing the net assets included in the statement of financial position by the number of units outstanding at the reporting date.

# Notes to the interim condensed financial information (continued)

## 4 Material accounting policies (continued)

### 4.2 Financial instruments (continued)

#### *4.2.11 Foreign currency*
Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Any resultant gains or losses are recognised in the statement of profit or loss and other comprehensive income.

#### *4.2.12 Provisions, contingent assets and contingent liabilities*
Provisions are recognised when the Fund has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Fund and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Contingent assets are not recognized in the interim condensed financial information, but are disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the interim condensed statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

#### *4.2.13 Cash and cash equivalents*
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and wakala deposits maturing within three months from the date of inception.

## 5 Judgement and estimates
In preparing this interim condensed financial information, the management has made 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.

The preparation of the Fund's financial statements requires the Fund Manager to make judgments, estimates and assumptions that affect the reported amount of income, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the financial reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

# Notes to the interim condensed financial information (continued)

## 6 Cash and cash equivalents

| | 31 Dec. 2023 (Unaudited) USD |
|---|---|
| Bank balance | 1,080 |
| Wakala deposits with original maturities of less than three months (6.1) | 19,456,040 |
| **Cash and cash equivalents for the purpose of interim condensed statement of cash flows** | **19,457,120** |

Cash at bank is placed with a related party (note 10)

### 6.1 Wakala Deposits

Wakala deposits are placed with a local financial institution which is a related party and carry fixed profit rates ranging from 4.80% to 5.75% per annum.

## 7 Unitholder's contribution

The Fund is an open-ended fund with fund capital ranging from 700,000 to 20,000,000 units with a par value of USD 10 per unit.

The Fund Unitholders are liable only to the extent of their participation in the capital of the Fund. The value of the Units shall be paid fully upon subscription thereto or participation in the Fund. These units are issued and redeemed at the unitholders option at prices based on the value of the Fund's net assets at the time of issue/redemption.

The issued and paid-up contribution of the Fund as of 31 December 2023 is 1,945,654 redeemable units with the nominal value of USD 10 each.

## 8 Net asset value per unit

| | 31 Dec. 2023 (Unaudited) USD |
|---|---|
| Net assets attributable to units holders (USD) | 19,490,326 |
| Outstanding number of redeemable units | 1,945,654 |
| Net Asset Value per unit (USD) | 10.017365 |

## 9 Fund fees

### 9.1 Fund managers' management fees

The Fund Manager is entitled to management fees to a maximum of 1% per annum calculated on the Net Asset Value of the Fund on every valuation day and payable, duly accumulated, at the end of every month. The Fund Manager may waive part of the amount in the event of failure to achieve the target returns, which are realized according to whatever the Fund Manager deems appropriate.

Further, the Fund manager has decided not to charge any fund management fee for the current period.

# Notes to the interim condensed financial information (continued)

## 9 Fund fees (continued)

### 9.2 Custodian and Controller fees

As per the Article of Association of the Fund, the Gulf Custody Company KSCC has been appointed as the Custodian and Investment Controller of the Fund. The Custodian and Investment Controller is paid custodian fee and investment controller fee as outlined below thresholds and calculated on each evaluation day and paid quarterly.

| | Custodian Fee | Investment Controller Fee |
|---|---|---|
| Minimum fee | USD 10,000 | USD 10,000 |
| Net asset up to USD 45 million | 0.050% | 0.050% |
| Net asset between USD 45 million to USD 120 million | 0.040% | 0.040% |
| Net asset more than USD 120 million | 0.035% | 0.035% |

## 10 Related party transactions

Related parties comprise of Fund Manager, Fund custodian and investment controller, major unitholders and companies of which they are principal owners or over which they are able to exercise significant influence. All related party transactions are carried out on terms approved by the Fund Manager.

Details of significant related party transactions and balances are as follows:

| | 31 Dec. 2023 USD |
|---|---|
| **Balances included in statement of financial position** | |
| Bank balance | 1,080 |
| Wakala Deposits with the Fund Manager | 19,456,040 |
| | **19,457,120** |

The Fund Manager opted to cover initial fund expenses, up to USD 60,000, within the first financial period from the Fund's launch due to its low net asset value (also refer note 9.1 related to the waiver of Fund management fees). Below are the expenses already borne by the Fund Manager during the period.

| | Period from 3 Dec. 2023 (date of establishment) to 31 Dec. 2023 USD |
|---|---|
| **Expenses borne by the fund manager during the year** | |
| Custodian and Investment Controller fee | 1,280 |
| Legal and CMA fees | 1,330 |
| Others | 1,897 |
| | **4,507** |

As at the 31 December 2023, the Fund Manager held 35,000 units which represent 1.8% of the outstanding redeemable units. This is in accordance with the Fund's Articles of association which requires that the Fund Manager subscription should not be less than KD 10,000 and not be more than 90% of the Fund's outstanding redeemable units.

# Notes to the interim condensed financial information (continued)

## 11 Fair value of financial instruments

### 11.1 Fair value measurement of financial instruments

The carrying amounts of the Fund's financial assets and liabilities as stated in the statement of financial position are as follows:

| | 31 Dec. 2023 USD |
|---|---|
| **Financial assets:** | |
| ***At amortised cost:*** | |
| Bank balance | 1,080 |
| Wakala Deposits | 19,456,040 |
| Other assets | 33,206 |
| | **19,490,326** |

### 11.2 Fair value measurement

Fair value represents 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 Fund measures financial instruments at fair value and measurement details are disclosed below. In the opinion of the Fund Manager, the carrying amounts of all financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

### 11.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows;

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

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