

**MUSCAT CAPITAL GCC DIVIDEND
GROWTH FUND
(Open-Ended Fund)
(MANAGED BY MUSCAT CAPITAL)**

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS OF
MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND
(MANAGED BY MUSCAT CAPITAL)****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Muscat Capital GCC Dividend Growth Fund (the "Fund") managed by Muscat Capital (the "Fund Manager") as at 30 June 2021 and the related interim statements of comprehensive income / (loss), changes in net assets (Equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

For Al-Bassam & Co.


Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337

10th Muharram 1442H
18th August 2021G
Riyadh, Kingdom of Saudi Arabia



MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in Saudi Riyals)

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents	6, 9	3,448,946	1,133,420
Investments carried at fair value through profit or loss (FVTPL)	7	83,410,414	70,194,096
Prepayments and other assets		-	16,115
Receivable against sale of investments		1,461,345	-
Total assets		88,320,705	71,343,631
LIABILITIES			
Accrued management fee	9	367,743	305,493
Other accrued expenses	9	63,420	32,369
Payable against purchase of investments		2,739,807	-
Total liabilities		3,170,970	337,862
Net assets (equity) attributable to the unitholders		85,149,735	71,005,769
Units in issue (in numbers)	8	6,459,889	6,410,918
Net asset value per unit		13.18	11.08

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND**(Open-ended fund)****(MANAGED BY MUSCAT CAPITAL)****INTERIM STATEMENT OF COMPREHENSIVE LOSS****For the six-month period ended 30 June 2021****(Amounts in Saudi Riyals)**

	Note	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
Income			
Dividend income		1,909,204	1,221,136
Realized and unrealized loss on FVTPL investments			
- Realized gain / (loss) on disposal of FVTPL investments		4,032,718	(4,621,291)
- Unrealized gain / (loss) on FVTPL investments	7	9,897,595	(1,264,799)
Foreign currency exchange loss		(8,297)	(116,908)
		15,831,220	(4,781,862)
Expenses			
Management fees	9	670,692	415,157
Other expenses	9	145,926	149,159
		816,618	564,316
Net income / (loss) for the period		15,014,602	(5,346,178)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		15,014,602	(5,346,178)

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

	Note	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
Balance at the beginning of the period		71,005,769	52,851,009
Total comprehensive income / (loss) for the period		15,014,602	(5,346,178)
Changes from unit transactions			
Proceeds from issuance of units		555,914	11,211,125
Payment towards units redeemed		-	-
Dividend paid during the period	13	(1,426,550)	-
Net change from unit transactions		(870,636)	11,211,125
Net assets (equity) attributable to the unitholders at the end of the period		85,149,735	58,715,956

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND**(Open-ended fund)****(MANAGED BY MUSCAT CAPITAL)****INTERIM STATEMENT OF CASH FLOWS****For the six-month period ended 30 June 2021****(Amounts in Saudi Riyals)**

	Note	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
Cash flows from operating activities:			
Net income / (loss) for the period		15,014,602	(5,346,178)
Adjustments for:			
- Unrealized (gain) / loss on FVTPL investments	7	(9,897,595)	1,264,799
		5,117,007	(4,081,379)
Net changes in operating assets and liabilities:			
Investments carried at FVTPL		(3,318,723)	(8,153,720)
Prepayments and other assets		16,115	-
Receivable against sale of investments		(1,461,345)	-
Dividend receivable		-	(85,088)
Accrued management fee		62,250	8,487
Other accrued expenses		31,051	48,388
Payable against purchase of investments		2,739,807	-
Net cash used in operating activities		3,186,162	(12,263,312)
Cash flows from financing activities:			
Proceeds from issuance of units		555,914	11,211,125
Dividend paid during the period		(1,426,550)	-
Net cash (used in) / generated from financing activities		(870,636)	11,211,125
Net change in cash and cash equivalents:		2,315,526	(1,052,187)
Cash and cash equivalents at beginning of the period	6	1,133,420	2,650,751
Cash and cash equivalents at end of the period	6	3,448,946	1,598,564

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

The Muscat Capital GCC Dividend Growth Fund (the "Fund") is an open-ended mutual fund established and managed through an agreement between Muscat Capital Company - a Saudi Closed Joint Stock Company (the "Fund Manager"), a wholly owned subsidiary of Bank Muscat (SAOG) incorporated in the Sultanate of Oman, and the Fund Investors (the "Unit holders").

The Fund commenced its operations on 16 Sha'ban 1440H (corresponding to 21 April, 2019).

In dealing with the unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, unit holders are considered to be owners of the assets of the Fund.

The principal investment objective of the Fund is to provide dividends and capital appreciation in the long term by investing in a portfolio of dividend growth shares whose profits have grown by a minimum of two years in the Gulf Cooperation Council region

Units were offered at a price of SAR 10 per unit, with a minimum initial subscription amount to SAR 1,000.

The following are the basis of fees, charges and other expenses:

Management fees

Payable to the Muscat Capital "Fund Manager" equal to 1.5% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis. Management fee is payable on quarterly basis.

Custodian fees

Payable by the Fund to the Riyadh Capital Company 'the Custodian', a CMA-licensed Company under license No. 37-07070, at a minimum rate of 0.06% and maximum rate of 0.20% and average rate of 0.13% per annum at Fund's net asset value according to the market in which the securities are held. The fee is calculated daily and paid at the end of each calendar month with a minimum of SR 1,250 per month.

Administrative fees

Payable by the Fund to the Fund Manager equal to 0.06% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis and payable on a quarterly basis.

Dealing charges

The Fund shall bear all dealing fees and brokerage commissions incurred for buying and selling of securities.

Other expenses

The Fund shall be responsible for its other administrative, professional, regulatory and operating expenses which include, but not limited to, Auditors, Sharia Committee, Board Members and annual report fees, subject to a cap of SAR 200,000 per annum. This cap does not include the management, custodian, dealing charges, administrative and any other leverage related fees.

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 on 12 07 (Rajab) 1442H (corresponding to 22 February 2021) (the "Amended Regulations").

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

3. SUBSCRIPTION/ REDEMPTION

The Fund is open for dealing before 12:00 pm on Monday and Wednesday (each day a “Dealing Day”). The net asset value of the Fund is determined on each working day's closing prices (each “Valuation Day”). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on a valuation day.

4. BASIS OF PREPARATION

4.1 *Statement of compliance*

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation of Certified Public Accountants (“SOCPA”).

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

4.2 *Basis of measurement*

These interim condensed financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss.

4.3 *Functional and presentation currency*

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

4.3.1 *Foreign 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 the interim statement of financial position date. Foreign exchange gains and losses arising from translation are included in the interim statement of comprehensive income.

4.4 *Significant accounting estimates and judgements*

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2020.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2020.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

6 CASH AND CASH EQUIVALENTS

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balances with financial institution	6.1, 9	3,448,946	1,133,420
Total		3,448,946	1,133,420

6.1 Cash balances are held in investment account with Riyadh Capital (the “Custodian”). The Fund does not earn profit on this account.

7 INVESTMENTS CARRIED AT FVTPL

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Cost	Market value	Cost	Market value
Equity investments (Note 11.1a)	73,512,819	83,410,414	65,111,886	70,194,096

Industry sector

	30 June 2021 (Unaudited)		
	Cost	Market value	%
Banks and financial services	27,932,686	32,631,576	39%
Petrochemicals	15,376,355	16,060,526	19%
Cement	7,852,060	8,876,746	11%
Real estate	5,712,631	6,989,968	8%
Retail	4,760,133	6,489,284	8%
Energy and utilities	4,803,707	4,455,727	5%
Telecom and IT	2,764,050	3,487,400	4%
Transport	1,833,195	2,241,380	3%
Health care	598,418	540,600	1%
Industrial investment	850,357	821,600	1%
Electricity	1,029,227	815,607	1%
	73,512,819	83,410,414	100%

Industry sector

	31 December 2020 (Audited)		
	Cost	Market value	%
Banks and financial services	19,243,504	20,745,529	30%
Cement	11,297,824	12,179,660	17%
Retail	7,978,433	8,601,179	12%
Telecom and IT	6,837,081	7,370,740	11%
Petrochemicals	6,396,431	6,895,696	10%
Transport	5,021,653	5,413,611	8%
Real estate	4,174,515	4,500,351	6%
Building and construction	2,246,956	2,422,330	3%
Energy and utilities	1,915,489	2,065,000	3%
	65,111,886	70,194,096	100%

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

8 UNIT TRANSACTIONS

Transactions in units for the period are summarized as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Units at the beginning of the period	6,410,918	5,286,574
Units issued	48,971	1,136,144
Units redeemed	-	(11,800)
Net changes in units	48,971	1,124,344
Units at the end of the period	6,459,889	6,410,918

9 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The significant related party transactions entered into by the Fund during the period are as follows:

Related party	Nature of relationship	Nature of transaction	June 2021 (Unaudited)	June 2020 (Unaudited)
Muscat Capital Company	Fund manager	- Management fee (see Note 1)	670,692	415,157
		- Administration fee (see Note 1)	23,329	16,606
Riyad Capital	Affiliate	- Custodian fee (see Note 1)	41,209	55,058
Board members		- Board meeting fee	9,918	9,945

The balances resulting from related party transactions are as follows:

Related party	Nature of relationship	Nature of transaction	Note	June 2021 (Unaudited)	December 2020 (Audited)
Muscat Capital Company	Fund manager	- Management fee		(367,743)	(305,493)
		- Administration fee *		(9,888)	(10,087)
Riyad Capital	Affiliate	- Custodian fee **		(467)	2,465
		- Balances with financial institution	6	3,448,946	1,133,420
Board members		- Board meeting fee *		(14,918)	(5,000)

* These balances have been recorded under other accrued expenses.

** These balances have been recorded under prepayments and other assets.

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

(MANAGED BY MUSCAT CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

10 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2021 (Unaudited)

Assets as per statement of financial position

	FVTPL	Amortized cost
Cash and cash equivalents	-	3,448,946
Investment carried at FVTPL	83,410,414	-
Prepayments and other assets	-	1,461,345
Total	83,410,414	4,910,291

31 December 2020 (Audited)

Assets as per statement of financial position

	FVTPL	Amortized cost
Cash and cash equivalents	-	1,133,420
Investment carried at FVTPL	70,194,096	-
Prepayments and other assets	-	16,115
Total	70,194,096	1,149,535

All financial liabilities as at 30 June 2021 and 31 December 2020 are classified as financial liabilities measured at amortized cost category.

11 FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

The objective of the Funds is to continue to provide optimum returns to its unitholders. The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

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

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

Monitoring and controlling risks is 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

(i) Foreign exchange risk

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

The following table shows maximum exposure to financial risk for the components of the interim statement of financial position.

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Cash and cash equivalents	3,448,946	1,133,420

Fund's financial assets carried at fair value through profit or loss were in the following currencies:

Currency	Country	30 June 2021 (Unaudited)	
		%	Fair value
SAR	Kingdom of Saudi Arabia	70	58,422,382
AED	United Arab Emirates	24	19,781,042
KWD	Kuwait	5	4,391,383
OMR	Sultanate of Oman	1	815,607
		100%	83,410,414

Currency	Country	31 December 2020 (Audited)	
		%	Fair value
SAR	Kingdom of Saudi Arabia	71%	49,998,418
AED	United Arab Emirates	22%	15,303,264
KWD	Kuwait	5%	3,524,910
OMR	Sultanate of Oman	2%	1,367,504
		100%	70,194,096

(ii) Commission rate risk

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

The Fund does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

The Fund is not exposed to fair value commission rate risk as the financial instruments of the Fund are carried at amortized cost other than investment carried at fair value through profit and loss which does not have commission rate risk.

(a) Market risk

(iii) Price risk

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

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund closely monitors the price movement of its listed financial instruments. The Fund manages this risk through diversification of its investment portfolio in terms of geographical distribution, as disclosed in the table in foreign exchange risk above and industry concentration as follows:

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-ended fund)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

The effect on the net assets value (equity) (as a result of the change in the fair value of investments as at 30 June 2021 and 31 December 2020) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows

30 June 2021 (Unaudited)		
	Potential reasonable change %	Effect on NAV
Banks and financial services	+/- 1%	+/- 326,316
Petrochemicals	+/- 1%	+/- 160,605
Cement	+/- 1%	+/- 88,767
Real estate	+/- 1%	+/- 69,900
Retail	+/- 1%	+/- 64,893
Energy and utilities	+/- 1%	+/- 44,557
Telecom and IT	+/- 1%	+/- 34,874
Transport	+/- 1%	+/- 22,414
Health care	+/- 1%	+/- 5,406
Building and construction	+/- 1%	+/- 8,216
Electricity	+/- 1%	+/- 8,156

31 December 2020 (Audited)		
	Potential reasonable change %	Effect on NAV
Banks and financial services	+/- 1%	+/- 207,455
Cement	+/- 1%	+/- 121,797
Retail	+/- 1%	+/- 86,012
Telecom and IT	+/- 1%	+/- 73,707
Petrochemicals	+/- 1%	+/- 68,957
Transport	+/- 1%	+/- 54,136
Real estate	+/- 1%	+/- 45,004
Building and construction	+/- 1%	+/- 24,223
Energy and utilities	+/- 1%	+/- 20,650

(b) Credit risk

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

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The credit quality of the Fund's balance with financial institutions is assessed with reference to external credit ratings. The balances with financial institutions along with credit ratings are tabulated below.

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(Open-ended fund)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

Rating of Financial Institution	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance with financial institution		
Unrated – Riyadh Capital	3,448,946	1,133,420
	3,448,946	1,133,420

The following table shows maximum exposure to credit risk for the components of the interim statement of financial position

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balances with financial institution	6	3,448,946	1,133,420

The management has conducted a review as required under IFRS 9 and based on an assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents and dividend receivable.

(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 realizable 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 remaining contractual maturities at the reporting date of the Fund's financial liabilities consisting of accrued management fee and other accrued expenses are shown below:

	30 June 2021 (Unaudited)		
	Less than 1 year	More than 1 year	Total
Accrued management fee	367,743	-	367,743
Other accrued expenses	63,420	-	63,420
Other payables	2,739,807	-	2,739,807
TOTAL LIABILITIES	3,170,970	-	3,170,970
	31 December 2020 (Audited)		
	Less than 1 year	More than 1 year	Total
Accrued management fee	305,493	-	305,493
Other accrued expenses	32,369	-	32,369
Other payables	-	-	-
TOTAL LIABILITIES	337,862	-	337,862

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

(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.

11.2 Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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.

As of June 30, 2021, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, prepayment and other assets, accrued management fee, other accrued expenses and other payables. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 1 hierarchy of fair value

12 SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Fund intends to adopt all the applicable standards and interpretations when these become effective. The Fund manager has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Fund.

13 DIVIDEND DISTRIBUTION

The amount of dividend distribution paid during the period pertains to the prior period ended 31 December 2020 amounting to SR 1,426,550.

14 CHANGES IN FUND'S TERMS AND CONDITIONS

There has been no change in the terms and conditions of the Fund during the period ended 30 June 2021.

15 LAST VALUATION DAY

In accordance with the Terms and Conditions of the Fund, the last valuation day of the period was 30 June 2021 (2020: 31 December 2020). There is no material change in the net assets (equity) attributable to each unit of the Fund between last valuation day and its financial period end i.e. 30 June 2021.

16 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the Fund's Board on 15th August 2021 (Corresponding to 07th Muharram 1443H).