

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM
FINANCIAL STATEMENTS****To the Unitholders****Musharaka IPO Fund****Introduction**

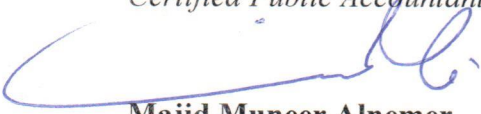
We have reviewed the accompanying condensed interim financial statements of Musharaka IPO fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager") which comprises of condensed interim statement of financial position as at 30 June 2020, and the related condensed interim statements of profit or loss and other comprehensive income, changes in net assets attributable to unit holders and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia and to comply with the Fund's terms and conditions. Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants
Majid Muneer Alnemer
License No. 381Al-Khobar 5 Muharram 1442H
24 August 2020

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | <i>Note</i> | 30 June 2020 <i>SR</i> <i>(Unaudited)</i> | 31 December 2019 <i>SR</i> <i>(Audited)</i> |
|--|-------------|--|--|
| ASSETS | | | |
| Prepayments and other assets | | 11,724 | 22,184 |
| Investments at fair value through profit or loss | 8 | 5,653,592 | 6,089,269 |
| Cash and cash equivalents | | 657,406 | 781,979 |
| TOTAL ASSETS | | 6,322,722 | 6,893,432 |
| LIABILITIES | | | |
| Accrued expenses | 10 | 62,037 | 46,109 |
| NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS | | 6,260,685 | 6,847,323 |
| Units in issue (number) | | 845,661 | 845,661 |
| Net assets attributable to each unit (SR) | | 7.40 | 8.10 |

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020**

| | <i>Note</i> | <i>For the six month period ended 30 June 2020</i> <i>SR</i> | <i>For the six month period ended 30 June 2019</i> <i>SR</i> |
|--|-------------|---|---|
| Income | | | |
| Loss on investments at fair value through profit or loss | 8 | (547,595) | (93,877) |
| Dividend income | | 93,732 | 155,310 |
| | | <u>(453,863)</u> | <u>61,433</u> |
| Expenses | | | |
| Fund management fees | 10 | 57,593 | 60,298 |
| Custody fees | | 19,097 | 9,389 |
| Sharia Committee expenses | | 13,923 | 13,885 |
| Fund Board expenses | 10 | 11,934 | 11,901 |
| Other administrative expenses | | 30,228 | 30,655 |
| | | <u>132,775</u> | <u>126,128</u> |
| Loss for the period | | <u>(586,638)</u> | <u>(64,695)</u> |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | <u><u>(586,638)</u></u> | <u><u>(64,695)</u></u> |

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS (UNAUDITED)
FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020**

| | <i>For the six month period ended 30 June 2020</i> | <i>For the six month period ended 30 June 2019</i> |
|---|--|--|
| | <i>SR</i> | <i>SR</i> |
| Net assets attributable to unit holders at 1 January | 6,847,323 | 7,082,145 |
| Loss for the period | (586,638) | (64,695) |
| Payments for units redeemed | - | (134,051) |
| Net assets attributable to unit holders at 30 June | <u>6,260,685</u> | <u>6,883,399</u> |

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020**

| | <i>For the six month period ended 30 June 2020</i> | <i>For the six month period ended 30 June 2019</i> |
|--|--|--|
| | <i>SR</i> | <i>SR</i> |
| Operating activities | | |
| Loss for the period | (586,638) | (64,695) |
| Adjustments for: | | |
| Loss on investments at fair value through profit or loss | 547,595 | 93,877 |
| Changes in operating assets and liabilities: | | |
| Net change in investments at fair value through profit or loss | (111,918) | 35,583 |
| Prepayments and other assets | 10,460 | 10,195 |
| Dividend receivable | - | (42,000) |
| Accrued expenses | 15,928 | 21,053 |
| Net cash generated from operating activities | (124,573) | 54,013 |
| Financing activities | | |
| Payments for units redeemed | - | (134,051) |
| Net cash utilized in financing activities | - | (134,051) |
| Net change in cash and cash equivalents | (124,573) | (80,038) |
| Cash and cash equivalents at the beginning of the period | 781,979 | 966,330 |
| Cash and cash equivalents at the end of the period | 657,406 | 886,292 |

The accompanying notes from 1 to 12 form an integral part of these condensed interim financial statements

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020

1 - THE FUND AND ITS ACTIVITIES

Musharaka IPO Fund (the "Fund") is an open ended public investment Fund, managed by the Musharaka Capital Company (the "Fund Manager"). The terms and conditions of the Fund were approved by the Capital Market Authority ("CMA") on 20 Dhul Qa'dah 1435H (corresponding to 15 September 2014) and the Fund commenced its activities on 9 Muharram 1436H (corresponding to 2 November 2014) pursuant to such approval and after concluding the subscription procedures.

The Fund's objective is to invest in the initial public offering (IPO), the shares and premium shares of the companies listed on Saudi primary and secondary stock exchange markets that does not exceed 5 years since the listing date which are consistent with the Funds Shariah criteria and Real Estate Investment Trust ("REIT").

The Fund manager is licensed and regulated by the CMA, through license no. 13169-27, to engage in dealing as a principle, managing investment funds and providing advising, custody and arranging services for securities business.

The Fund is governed by Investment Fund Regulations ("the Regulations") published by CMA on 3 Dhul Hijja 1427H (corresponding to 24 December 2006), thereafter amended on 16 Sha'ban 1437H (corresponding to 23 May 2016), detailing requirements of all funds within the Kingdom of Saudi Arabia.

In dealing with the unit holders, the Fund manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unit holders are considered as owners of the assets of the Fund and distributions are made in relation to their respective ownership in the total number of outstanding units.

2 - BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Fund for the six - month period ended 30 June 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

The condensed interim 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. The interim results may not be an indicator of the annual results of the Fund.

2.2 Basis of measurement

The condensed interim financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss that have been measured at fair value.

2.3 Functional and presentation currency

The Fund condensed interim financial statements are presented in Saudi Riyals, which is the Fund's functional currency.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The key judgments and estimates and assumptions that have a significant impact on the condensed interim financial statements of the Fund are discussed below:

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020**3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)***Classification of investments*

Management designates at the time of acquisition of securities whether these should be classified as at fair value or amortised cost. In judging whether investments in securities are classified as at fair value or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 "Financial Instruments".

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those applicable in the annual financial statements for the year ended 31 December 2019.

5 - NEW STANDARDS AND AMENDMENTS TO STANDARDS

There are no new standards issued; however, the adoption of the following amendments to the existing standards had no significant financial impact on the condensed interim financial statements of the Fund on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

6 - STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021, and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these condensed interim financial statements.

| <i><u>Standard/ Interpretation</u></i> | <i><u>Description</u></i> | <i><u>Effective from periods beginning on or after the following date:</u></i> |
|--|---|--|
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| IAS 1 | Classification of Liabilities as Current or Non-Current (amendments to IAS 1) | 1 January 2022 |
| IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28). | 1 January 2022 Available for optional adoption/ effective date deferred indefinitely |

7 - MANAGEMENT FEE AND OTHER EXPENSES

The Fund is managed and administered by the Fund Manager. For these services, the Fund accrues, on a daily basis, a management fee, as set out in the Fund's terms and conditions, at an annual rate of 1.75% of the Funds net assets on every valuation day.

The Fund is responsible for all expenses, fees, other costs and liabilities incurred in managing and operating the Fund. Such expenses include, but are not limited to, Sharia advisory, audit, remuneration of the Fund's Board, administration, dealing costs, custody, government and other professional fees.

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020**8 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This represents investment in equity securities listed on the Saudi stock exchange ("Tadawul")

The investment portfolio is allocated among the various economic sectors, the fair values of these investments are as follows :

| Sector | 30 June 2020 | | 31 December 2019 | |
|------------------------|--------------------------|----------------------|--------------------------|----------------------|
| | (Unaudited) | | (Audited) | |
| | <u>Fair value</u> | <u>%</u> | <u>Fair value</u> | <u>%</u> |
| | SR | | SR | |
| Industrials | 928,950 | 16.43 | 1,228,500 | 20.17 |
| Consumer Discretionary | 1,122,660 | 19.86 | 621,174 | 10.20 |
| Materials | 403,182 | 7.13 | 578,437 | 9.50 |
| Health Care | 818,100 | 14.47 | 801,900 | 13.17 |
| Consumer Staples | - | - | 286,458 | 4.70 |
| Real Estate | 2,380,700 | 42.11 | 2,572,800 | 42.25 |
| Total | <u>5,653,592</u> | <u>100.00</u> | <u>6,089,269</u> | <u>100.00</u> |

Loss on investments at fair value through profit or loss is as follows:

| | <i>For the six month period ended 30 June 2020</i> | <i>For the six month period ended 30 June 2019</i> |
|-----------------|---|---|
| | SR | SR |
| | (Unaudited) | (Unaudited) |
| Realized gain | 109,134 | 55,715 |
| Unrealized loss | (656,729) | (149,592) |
| | <u>(547,595)</u> | <u>(93,877)</u> |

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**FOR THE SIX - MONTH PERIOD ENDED 30 JUNE 2020****9 - FAIR VALUES**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | | 30 June 2020 | | | | | |
|------------------------------|------------------|------------------|------------------|------------------|------------|----------|------------------|
| | | Carrying amount | | | Fair value | | |
| | Fair value | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | SR | SR | SR | SR | SR | SR | SR |
| Financial assets | | | | | | | |
| Investments at FVTPL | 5,653,592 | - | 5,653,592 | 5,653,592 | - | - | 5,653,592 |
| Cash and cash equivalents | - | 657,406 | 657,406 | - | - | - | - |
| | <u>5,653,592</u> | <u>657,406</u> | <u>6,310,998</u> | <u>5,653,592</u> | <u>-</u> | <u>-</u> | <u>5,653,592</u> |
| Financial liabilities | | | | | | | |
| Accrued expenses | - | 62,037 | 62,037 | - | - | - | - |
| | <u>-</u> | <u>62,037</u> | <u>62,037</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | 31 December 2019 | | | | | |
| | | Carrying amount | | | Fair value | | |
| | Fair value | Amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | SR | SR | SR | SR | SR | SR | SR |
| Financial assets | | | | | | | |
| Investments at FVTPL | 6,089,269 | - | 6,089,269 | 6,089,269 | - | - | 6,089,269 |
| Cash and cash equivalents | - | 781,979 | 781,979 | - | - | - | - |
| | <u>6,089,269</u> | <u>781,979</u> | <u>6,871,248</u> | <u>6,089,269</u> | <u>-</u> | <u>-</u> | <u>6,089,269</u> |
| Financial liabilities | | | | | | | |
| Accrued expenses | - | 46,109 | 46,109 | - | - | - | - |
| | <u>-</u> | <u>46,109</u> | <u>46,109</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2020**10 - TRANSACTIONS WITH RELATED PARTIES**

Related parties represent the Fund Manager, Fund Board, Custodian and the Fund Sharia Committee.

The following table provides the total amount of transactions that have been entered into with related parties during the period and their related accruals as at :

| Related party | Nature of transaction | Transactions for six month period ended | | Balances | |
|-----------------------|---------------------------------|---|--------|--------------------|------------------------|
| | | 30 June | | | |
| | | 2020 | 2019 | As at 30 June 2020 | As at 31 December 2019 |
| | | SR | SR | SR | SR |
| Fund Manager | Management fee | 57,593 | 60,298 | 27,028 | 10,192 |
| Custodian | Custody fee | 19,097 | 9,389 | 11,222 | - |
| Fund Board | Board of directors remuneration | 11,934 | 11,901 | 5,934 | - |
| Fund Sharia Committee | Sharia Committee remuneration | 13,923 | 13,885 | - | - |
| | | | | 44,184 | 10,192 |

The Fund Manager investment in the Fund at 30 June 2020 is 685,188 units (31 December 2019: 685,188 units) which represents 81.02 % of the Fund's issued units (31 December 2019: 81.02 %).

Basis and term of payment for fee payable to related parties as per terms and conditions of the Fund approved by CMA are as follows:

| Type of fee | Basis and rate | Basis of calculation |
|----------------------------------|--|---|
| Management fees | 1.75 % of net asset value | Annual, calculated every valuation date |
| Board of Directors remunerations | SR 3,000 per meeting only payable to the independent members, maximum up to 24,000 | Per member per meeting |
| Sharia Committee remunerations | SR 28,000 | Annual, calculated every valuation date |
| Custody fees | SR 30,000 plus 0.0001% of daily equity | Annual, calculated every valuation date |

11 - VALUATION DAY

The Fund's units are valued at every Monday and Thursday and unit price is announced on the following business day. The last valuation day for the purpose of preparation of these condensed interim financial statements was 30 June 2020.

12 - APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Fund's management on 24 August 2020.