

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
(FORMERLY: MUSHARAKA IPO FUND)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND INDEPENDENT AUDITOR'S REPORT

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
(FORMERLY: MUSHARAKA IPO FUND)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE UNIT HOLDERS OF MUSHARAKA SAUDI EQUITY FUND
(FORMERLY: MUSHARAKA IPO FUND)

(Managed by Musharaka Capital Company)

Opinion

We have audited the financial statements of Musharaka Saudi Equity Fund (the "Fund") (formerly: Musharaka IPO Fund), managed by Musharaka Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and the Fund's terms and conditions, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("ISAs") will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)**TO THE UNIT HOLDERS OF MUSHARAKA SAUDI EQUITY FUND
(FORMERLY: MUSHARAKA IPO FUND)**

(Managed by Musharaka Capital Company)

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly MKM & Co.
Certified Public Accountants



Majid Muneer Alnemer
License No. 381
Al-Khobar 19 Sha'ban 1442H
1 April 2021



MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
(FORMERLY: MUSHARAKA IPO FUND)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	<i>Note</i>	<i>2020</i>	<i>2019</i>
		<i>SR</i>	<i>SR</i>
ASSETS			
Prepayments and other assets		31	22,184
Investments at fair value through profit or loss	4	5,721,200	6,089,269
Cash and cash equivalents		1,543,924	781,979
TOTAL ASSETS		7,265,155	6,893,432
LIABILITIES			
Accrued expenses	6	48,782	46,109
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		7,216,373	6,847,323
Units in issue (number)		819,271	845,661
Net assets attributable to each unit (SR)		8.81	8.10

The accompanying notes from 1 to 9 form an integral part of these financial statements.

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

(FORMERLY: MUSHARAKA IPO FUND)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Note</i>	2020	2019
		SR	SR
INCOME			
Gain on investments at fair value through profit or loss	4	668,975	523,276
Dividends income		189,661	249,070
		858,636	772,346
EXPENSES			
Fund management fees	6	(127,845)	(126,607)
Custody fees	6	(31,500)	(31,529)
Sharia Committee fees	6	(28,000)	(28,000)
Board of Directors fees	6	(12,000)	(12,000)
Others		(64,148)	(52,330)
		(263,493)	(250,466)
Profit for the year		595,143	521,880
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		595,143	521,880

The accompanying notes from 1 to 9 form an integral part of these financial statements.

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

(FORMERLY: MUSHARAKA IPO FUND)**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Net assets attributable to unit holders at 1 January	6,847,323	7,082,145
Profit for the year	595,143	521,880
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>595,143</u>	<u>521,880</u>
Value of units redeemed	<u>(226,093)</u>	<u>(756,702)</u>
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT 31 DECEMBER	<u>7,216,373</u>	<u>6,847,323</u>

The accompanying notes from 1 to 9 form an integral part of these financial statements.

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
(FORMERLY: MUSHARAKA IPO FUND)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Operating activities		
Profit for the year	595,143	521,880
Adjustments for changes in operating assets and liabilities:		
Gain on investments at fair value through profit or loss	(668,975)	(523,276)
Changes in operating assets and liabilities:		
Net change in investments at fair value through profit or loss	1,037,044	555,082
Prepayments and other assets	22,153	(121)
Accrued expenses	2,673	18,786
Net cash generated from operating activities	<u>988,038</u>	<u>572,351</u>
Financing activities		
Value of units redeemed	(226,093)	(756,702)
Net cash utilized in financing activities	<u>(226,093)</u>	<u>(756,702)</u>
Net change in cash and cash equivalents	761,945	(184,351)
Cash and cash equivalents at the beginning of the year	<u>781,979</u>	<u>966,330</u>
Cash and cash equivalents at the end of the year	<u><u>1,543,924</u></u>	<u><u>781,979</u></u>

The accompanying notes from 1 to 9 form an integral part of these financial statements.

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
(FORMERLY: MUSHARAKA IPO FUND)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1 - THE FUND AND ITS ACTIVITIES

Musharaka Saudi Equity Fund (the "Fund") (formerly: Musharaka IPO Fund (the "Fund")) is an open ended public investment Fund, managed by the Musharaka Capital Company (the "Fund Manager") in compliance with the Investment Fund Capital Regulation published by the Capital Market Authority ("CMA") pursuant to its resolution number 1-219-2996 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006), detailing requirements of all funds within the Kingdom of Saudi Arabia.

The terms and conditions of the Fund were approved by CMA on 20 Dhul Qa'dah 1435H (corresponding to 15 September 2014). The Fund commenced its activities on 9 Muharram 1436H (corresponding to 2 November 2014) pursuant to such approval and after concluding the subscription procedures. During the year the Fund Manager updated the Fund's terms and conditions with respect to its name and investment strategies.

The Fund's objectives are to achieve long and medium term capital growth through investing in equities and IPO's listed in Saudi Arabia in the primary and secondary markets.

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

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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants (SOCPA).

The 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. The Fund's financial statements are presented in Saudi Riyals (SR), which is also the Fund's functional currency.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognized when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

Revenue recognition

Dividends

Dividend revenue is recognized on the date when the Fund's right to receive the payment is established.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the:

- transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or;
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Net assets value per unit

The net assets value (NAV) per unit as disclosed on the statement of financial position is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

Foreign currency transaction

Transactions during the year in currencies other than the functional currency are translated into the functional currency at the rates of exchange at the dates of the transaction. Monetary assets and liabilities that are denominated in a foreign currency are retranslated at the rate of exchange ruling at the statement of financial position date. Exchange gains or losses are reflected in the statement of profit and loss and comprehensive income.

Taxation / Zakat

Zakat and income tax are the unit holders obligations and are not provided for in these financial statements.

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 Fund's net assets on those dates.

The Fund will be 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.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets are classified as investments at fair value through profit or loss if they are acquired for the purpose of selling or repurchasing them in the near term. The Fund designated its holding in a local quoted securities portfolio as financial assets at fair value through profit or loss. Such investments are carried in the statement of financial position at fair value with net changes in fair value presented in the statement of profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Derecognition

A financial asset is primarily derecognised when:

The rights to receive cash flows from the asset have expired, or

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

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

Loans, borrowings and payables

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Transaction costs are amortised using the EIR method from the date at which the loan is recognised over the repayment terms.

Derecognition

A financial liability is derecognised when the obligation is discharged, cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3 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 financial statements of the Fund on the current period or prior periods and is expected to have no significant effect in future periods:

- Revised 'Conceptual Framework for Financial Reporting'.
- Amendments to IFRS 3 Business Combinations to clarify the definition of a business.
- Amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding pre-replacement issues in the context of the IBOR reform.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding the definition of material.
- Amendments to IFRS 16 Leases provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

2.4 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 financial statements.

<i>Standard/ Interpretation Description</i>	<i>Effective from periods beginning on or after the following date:</i>
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2023
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.	1 January 2022

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

<i>Standard/ Interpretation Description</i>	<i>Effective from periods beginning on or after the following date:</i>
Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous.	1 January 2022
Amendments to IFRS 4 Insurance Contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IFRS 16 Leases regarding replacement issues in the context of the IBOR reform.	1 January 2021
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, 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 years.

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

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

Classification of investments

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

MUSHARAKA SAUDI EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

4 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Sector	Industry Group	2020		2019	
		Fair value SR	%	Fair value SR	%
Industrials	Transportation	-	0.0%	1,228,500	20.17%
Consumer Discretionary	Commercial and Professional Services	226,500	4.0%	-	0.00%
	Consumer Durables and Apparel	303,000	5.3%	178,324	2.93%
	Retailing	465,600	8.1%	442,850	7.27%
Materials	Consumer Services	734,350	12.8%	-	0.00%
	Materials	652,300	11.4%	578,437	9.50%
Health Care	Health Care Equipment and Services	771,100	13.5%	801,900	13.17%
Consumer Staples	Food and Staples Retailing	714,000	12.5%	286,458	4.70%
Real Estate	REITs	1,642,550	28.7%	2,416,600	39.69%
	Real Estate Management and Development	211,800	3.7%	156,200	2.57%
Total		5,721,200	100%	6,089,269	100%

The above investments are listed on the Saudi stock exchange ("Tadawul"). The Fund Manager seeks to limit risks by monitoring exposures in each investment sector and individual securities. The portfolio movement for the year ended 31 December is as follows:

	2020	2019
	SR	SR
At 1 January		
Addition	6,089,269	6,121,075
Disposal	5,962,554	1,146,346
Change in fair value	(6,989,523)	(1,701,495)
	658,900	523,343
At 31 December	5,721,200	6,089,269

MUSHARAKA SAUDI EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

5 - FAIR VALUES

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, 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.

	31 December 2020						
	Carrying amount			Fair value			
Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
SR	SR	SR	SR	SR	SR	SR	
5,721,200	-	5,721,200	5,721,200	-	-	5,721,200	
-	1,543,924	1,543,924	-	-	-	-	
5,721,200	1,543,924	7,265,124	5,721,200	-	-	5,721,200	
-	48,782	48,782	-	-	-	-	
-	48,782	48,782	-	-	-	-	
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	
6,089,269	-	6,089,269	6,089,269	-	-	6,089,269	
-	781,979	781,979	-	-	-	-	
6,089,269	781,979	6,871,248	6,089,269	-	-	6,089,269	
-	46,109	46,109	-	-	-	-	
-	46,109	46,109	-	-	-	-	

MUSHARAKA SAUDI EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

6 - TRANSACTIONS WITH RELATED PARTIES

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

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

Name of related party	Nature of transaction	Transactions for the year		Balances	
		2020 SR	2019 SR	2020 SR	2019 SR
Fund Manager	Management fee	127,845	126,607	12,115	10,192
Custodian	Custody fees	31,500	31,529	-	-
Fund Board	Board of Directors remuneration	12,000	12,000	-	-
Sharia Committee	Sharia Committee remuneration	28,000	28,000	-	-
				12,115	10,192

The Fund Manager investment in the Fund as at 31 December 2020 is SR 6,035,339 (31 December 2019: SR 5,547,974) which represents 83.63 % 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	Payment term
Management fees	1.75 % of net asset value	Annually
Board of Directors remunerations	SR 3,000 per meeting only payable to the independent members, maximum up to 24,000 per annum	After the meeting of the Board of Directors
Sharia Committee remunerations	SR 24,000 (previously SR 28,000)	Annually
Custody fees	SR 30,000 or 0.02% of daily net assets value	Annually

7 - VALUATION DAY

The Fund's units are valued daily from Sunday to Thursday, and unit price is announced on the following business day. The last valuation day for the purpose of preparation of these financial statements was 31 December 2020.

MUSHARAKA SAUDI EQUITY FUND
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

8 - RISK MANAGEMENT

Commission rate risk

Commission rate risk is the risk that the value of financial instruments will fluctuate due to the changes in the market commission rates. The Fund is not subject to commission rate risk.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Fund seeks to manage its credit risk with respect to the banks by only dealing with reputable banks.

	<u>2020</u>	<u>2019</u>
	<u>SR</u>	<u>SR</u>
Cash and cash equivalents	<u>1,543,924</u>	<u>781,979</u>
	<u>1,543,924</u>	<u>781,979</u>

The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Fund manages its liquidity risk by monitoring investing activities and cash flows on regular basis.

31 December 2020				
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial Liabilities				
Accrued expenses	<u>48,782</u>	<u>48,782</u>	<u>-</u>	<u>-</u>
	<u>48,782</u>	<u>48,782</u>	<u>-</u>	<u>-</u>
31 December 2019				
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial Liabilities				
Accrued expenses	<u>46,109</u>	<u>46,109</u>	<u>-</u>	<u>-</u>
	<u>46,109</u>	<u>46,109</u>	<u>-</u>	<u>-</u>

Equity price

The Fund listed equity securities are susceptible to market price risk arising from uncertainties about its future values of the investment securities. The Fund manages the equity price risk through diversification and by placing limits on individual and total equity instruments sectors.

9 - APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 1 April 2021.