

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

To the Unitholders

Musharaka Saudi Equity Fund**Introduction**

We have reviewed the accompanying condensed interim financial statements of Musharaka Saudi Equity Fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager") which comprises of condensed interim statement of financial position as at 30 June 2021, and the related condensed interim statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the six month period ended 30 June 2021, 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 9 Muharram 1443H
17 August 2021

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2021

	<i>Note</i>	30 June 2021 (Unaudited) <i>SR</i>	31 December 2020 (Audited) <i>SR</i>
ASSETS			
Prepayments and other assets		2,787	31
Investments at fair value through profit or loss (FVTPL)	6	8,425,787	5,721,200
Cash and cash equivalents		762,800	1,543,924
TOTAL ASSETS		9,191,374	7,265,155
LIABILITIES			
Accrued expenses	8	58,098	48,782
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS		9,133,276	7,216,373
Units in issue (number)		815,175	819,271
Per unit value (SR)		11.20	8.81

The accompanying notes from 1 to 10 form an integral part of these condensed interim financial statements.

MUSHARAKA SAUDI EQUITY 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 2021**

	<i>Note</i>	<i>For the six month period ended 30 June 2021 (Unaudited) SR</i>	<i>For the six month period ended 30 June 2020 (Unaudited) SR</i>
INCOME			
Gain (loss) on investments at fair value through profit or loss (FVTPL)	6	1,975,247	(547,595)
Dividends income		128,050	93,732
		<u>2,103,297</u>	<u>(453,863)</u>
EXPENSES			
Fund management fees	8	(79,088)	(57,593)
Custody fees		(17,109)	(19,097)
Sharia Committee fees		(12,143)	(13,923)
Board of Directors fees	8	(11,901)	(11,934)
Others		(23,850)	(30,228)
		<u>(144,091)</u>	<u>(132,775)</u>
Profit / (loss) for the period		1,959,206	(586,638)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		<u>1,959,206</u>	<u>(586,638)</u>

The accompanying notes from 1 to 10 form an integral part of these condensed interim financial statements.

MUSHARAKA SAUDI EQUITY 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 2021**

	<i>For the six month period ended 30 June 2021 (Unaudited)</i>	<i>For the six month period ended 30 June 2020 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Net assets attributable to unit holders at 1 January	7,216,373	6,847,323
Profit / (loss) for the period	1,959,206	(586,638)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	1,959,206	(586,638)
Payment for redemption of units	(42,303)	-
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS AT 30 JUNE	9,133,276	6,260,685

The accompanying notes from 1 to 10 form an integral part of these condensed interim financial statements.

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

	<i>For the six month period ended 30 June 2021 (Unaudited)</i>	<i>For the six month period ended 30 June 2020 (Unaudited)</i>
	<u>SR</u>	<u>SR</u>
Operating activities		
Profit / (loss) for the period	1,959,206	(586,638)
Adjustments for changes in operating assets and liabilities:		
(Gain) / loss on investments at fair value through profit or loss (FVTPL)	(1,975,247)	547,595
Changes in operating assets and liabilities:		
Net change in investments at fair value through profit or loss (FVTPL)	(729,340)	(111,918)
Prepayments and other assets	(2,756)	10,460
Accrued expenses	9,316	15,928
Net cash used in operating activities	<u>(738,821)</u>	<u>(124,573)</u>
Financing activities		
Payment for redemption of units	(42,303)	-
Net cash used in financing activities	<u>(42,303)</u>	<u>-</u>
Net change in cash and cash equivalents	(781,124)	(124,573)
Cash and cash equivalents at the beginning of the period	1,543,924	781,979
Cash and cash equivalents at the end of the period	<u>762,800</u>	<u>657,406</u>

The accompanying notes from 1 to 10 form an integral part of these condensed interim financial statements.

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

1 - GENERAL

Musharaka Saudi Equity Fund (the "Fund") is an open-ended public investment fund, managed by Musharaka Capital Company (the "Fund Manager") a Saudi Closed Joint Stock Company licenced by Capital Market Authority (CMA) under licence no. 13169-27. The Fund is governed by the Investment Fund Regulations ("the Regulations") published by the (CMA) detailing requirements for all funds within the Kingdom of Saudi Arabia.

The registered address of the Fund Manager is: Musharaka Capital Company P.O.Box 712, Al Khobar 31952, Kingdom of Saudi Arabia.

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 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.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered as owners of the assets of the Fund.

2 - BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements for the six-month period ended 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

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 as at 31 December 2020.

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 (FVTPL) 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.

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

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:

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 2020.

5 - NEW STANDARDS AND AMENDMENTS TO STANDARDS

There are no new standards issued, however, there are number of amendments to the standards which are effective from 1 January 2021 and has been explained in Fund's annual financial statements for the year ended 31 December 2020, but they do not have a significant effect on these condensed interim financial statements for the six month period ended 30 June 2021.

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021****6 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

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

Sector	Industry Group	As at 30 June 2021		As at 31 December 2020	
		Fair value	%	Fair value	%
		SR		SR	
Materials	Materials	2,377,820	28.2%	652,300	11.4%
Industrials	Commercial and Professional Services	315,200	3.7%	226,500	4.0%
Consumer Discretionary	Retailing	1,193,700	14.2%	465,600	8.1%
	Consumer Durables and Apparel	703,367	8.3%	303,000	5.3%
	Consumer Services	447,350	5.3%	734,350	12.8%
Health Care	Health Care Equipment and Services	1,561,300	18.5%	771,100	13.5%
Real Estate	Real Estate Management and Development	799,500	9.5%	211,800	3.7%
	REITs	448,650	5.3%	1,642,550	28.7%
Communication Services	Telecommunication Services	368,500	4.4%	-	0.0%
Financials	Banks	210,400	2.5%	-	0.0%
Consumer Staples	Food and Staples Retailing	-	-	714,000	12.5%
Total		8,425,787	100%	5,721,200	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.

Gain / (loss) on investment at fair value through profit and loss is as follows:

	For the six month period ended 30 June 2021 (Unaudited)	For the six month period ended 30 June 2020 (Unaudited)
	SR	SR
Realised gain	323,072	109,134
Unrealised gain (loss)	1,652,175	(656,729)
	1,975,247	(547,595)

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021****7 - 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.

30 June 2021						
	Carrying amount			Fair value		
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3
	SR	SR	SR	SR	SR	SR
Financial assets						
Investments at FVTPL	8,425,787	-	8,425,787	8,425,787	-	-
Cash and cash equivalents	-	762,800	762,800	-	-	-
	<u>8,425,787</u>	<u>762,800</u>	<u>9,188,587</u>	<u>8,425,787</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Accrued expenses	-	58,098	58,098	-	-	-
	<u>-</u>	<u>58,098</u>	<u>58,098</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2020						
	Carrying amount			Fair value		
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3
	SR	SR	SR	SR	SR	SR
Financial assets						
Investments at FVTPL	5,721,200	-	5,721,200	5,721,200	-	-
Cash and cash equivalents	-	1,543,924	1,543,924	-	-	-
	<u>5,721,200</u>	<u>1,543,924</u>	<u>7,265,124</u>	<u>5,721,200</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Accrued expenses	-	48,782	48,782	-	-	-
	<u>-</u>	<u>48,782</u>	<u>48,782</u>	<u>-</u>	<u>-</u>	<u>-</u>

MUSHARAKA SAUDI EQUITY FUND

(Managed by Musharaka Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**8 - TRANSACTIONS WITH RELATED PARTIES**

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 six month period ended 30 June		Balances	
		2021	2020	30 June 2021	31 December 2020
		(unaudited)	(unaudited)	(Unaudited)	(Audited)
		SR	SR	SR	SR
Fund Manager	Management fee	79,088	57,593	26,647	12,115
Fund Board	Board of Directors remuneration	11,901	11,934	11,901	-
				38,548	12,115

The Fund Manager investment in the Fund as at 30 June 2021 is SR 7,676,899 (31 December 2020: SR 6,035,339) which represents 84.05 % of the Fund's issued units (31 December 2020: 83.63 %).

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

9 - 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 30 June 2021.

10 - APPROVAL OF FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the management on 17 August 2021.