

**MUSHARAKA SAUDI EQUITY FUND**

(Managed by Musharaka Capital Company)

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**INDEPENDENT AUDITOR'S REPORT**  
**TO THE UNIT HOLDERS OF MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)

**Opinion**

We have audited the financial statements of Musharaka Saudi Equity Fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, 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 2021, 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 Chartered and Professional 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

(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 25 Sha'ban 1443H  
28 March 2022



**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<i>Note</i>	<b>2021</b> <i>SR</i>	<i>2020</i> <i>SR</i>
<b>ASSETS</b>			
Prepayments and other assets		<b>481,893</b>	31
Investments at fair value through profit or loss	4	<b>8,442,366</b>	5,721,200
Cash and cash equivalents		<b>338,313</b>	1,543,924
<b>TOTAL ASSETS</b>		<b>9,262,572</b>	7,265,155
<b>LIABILITIES</b>			
Accrued expenses	6	<b>87,852</b>	48,782
<b>NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS</b>		<b>9,174,720</b>	7,216,373
<b>Units in issue (number)</b>		<b>811,175</b>	819,271
<b>Net assets attributable to each unit (SR)</b>		<b>11.31</b>	8.81

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

**MUSHARAKA SAUDI EQUITY FUND**

(Managed by Musharaka Capital Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	<b>2021</b>	<b>2020</b>
		<b>SR</b>	<b>SR</b>
<b>INCOME</b>			
Gain on investments at fair value through profit or loss	4	<b>2,160,149</b>	668,975
Dividends income		<b>180,250</b>	189,661
		<b>2,340,399</b>	858,636
<b>EXPENSES</b>			
Fund management fees	6	<b>(172,018)</b>	(127,845)
Custody fees		<b>(34,500)</b>	(31,500)
Sharia Committee fees		<b>(24,000)</b>	(28,000)
Board of Directors fees	6	<b>(12,000)</b>	(12,000)
Others		<b>(51,704)</b>	(64,148)
		<b>(294,222)</b>	(263,493)
<b>Profit for the year</b>		<b>2,046,177</b>	595,143
Other comprehensive income		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,046,177</b>	595,143

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

**MUSHARAKA SAUDI EQUITY FUND**

(Managed by Musharaka Capital Company)

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<u>2021</u>	<u>2020</u>
	<u>SR</u>	<u>SR</u>
Net assets attributable to unit holders at 1 January	7,216,373	6,847,323
Value of units redeemed	(87,830)	(226,093)
	<u>7,128,543</u>	<u>6,621,230</u>
Profit for the year	2,046,177	595,143
Other comprehensive income	-	-
Total comprehensive income for the year	<u>2,046,177</u>	<u>595,143</u>
Net assets attributable to unitholders as at 31 December	<u><u>9,174,720</u></u>	<u><u>7,216,373</u></u>

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

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<u>2021</u>	<u>2020</u>
	<i>SR</i>	<i>SR</i>
<b>Operating activities</b>		
Profit for the year	<b>2,046,177</b>	595,143
Adjustments for:		
Gain on investments at fair value through profit or loss	<b>(2,160,149)</b>	(668,975)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	<b>(561,017)</b>	1,037,044
Prepayments and other assets	<b>(481,862)</b>	22,153
Accrued expenses	<b>39,070</b>	2,673
<b>Net cash (used in) / generated from operating activities</b>	<b><u>(1,117,781)</u></b>	<u>988,038</u>
<b>Financing activities</b>		
Value of units redeemed	<b>(87,830)</b>	(226,093)
<b>Net cash used in financing activities</b>	<b><u>(87,830)</u></b>	<u>(226,093)</u>
<b>Net change in cash and cash equivalents</b>	<b>(1,205,611)</b>	761,945
Cash and cash equivalents at the beginning of the year	<b><u>1,543,924</u></b>	<u>781,979</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u><u>338,313</u></u></b>	<u><u>1,543,924</u></u>

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



**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**1 - THE FUND AND ITS ACTIVITIES**

Musharaka Saudi Equity 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 (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional 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.

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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.

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**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.

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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**2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial liabilities (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**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform.
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16.

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

<b><i>New and revised IFRSs</i></b>	<b><i>Effective from periods beginning on or after the following date:</i></b>
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 <i>Presentation of Financial Statements</i> regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies.	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	1 January 2023

**MUSHARAKA SAUDI EQUITY FUND**  
 (Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)**

<i>New and revised IFRSs</i>	<i>Effective from periods beginning on or after the following date:</i>
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 to IAS 16 <i>Property, Plant and Equipment</i> 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 <i>Provisions, Contingent Liabilities and Contingent Assets</i> regarding the costs to include when assessing whether a contract is onerous.	1 January 2022
Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework	1 January 2022
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**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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	2021		2020	
		<u>Fair value</u> SR	<u>%</u>	<u>Fair value</u> SR	<u>%</u>
Financials	Diversified Financials	503,200	5.96%	-	0.00%
	Banks	575,040	6.81%	-	0.00%
Industrials	Commercial and Professional Services	304,000	3.60%	226,500	3.96%
Consumer Discretionary	Consumer Durables and Apparel	626,750	7.42%	303,000	5.30%
	Retailing	609,300	7.22%	465,600	8.14%
	Consumer Services	175,920	2.08%	734,350	12.84%
Communication Services	Telecommunication Services	294,000	3.48%	-	0.00%
	Media and Entertainment	911,508	10.80%	-	0.00%
Materials	Materials	1,276,250	15.12%	652,300	11.40%
Health Care	Health Care Equipment and Services	970,550	11.50%	771,100	13.48%
Utilities	Utilities	850,163	10.07%	-	0.00%
Consumer Staples	Food & Beverages	495,000	5.86%	714,000	12.48%
Real Estate	REITs	-	0.00%	1,642,550	28.71%
	Real Estate Management and Development	742,995	8.80%	211,800	3.70%
Information Technology	Technology Hardware & Equipment	107,690	1.28%	-	0.00%
<b>Total</b>		<b>8,442,366</b>	<b>100%</b>	<b>5,721,200</b>	<b>100%</b>

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:

	2021	2020
	SR	SR
At 1 January		
Addition	5,721,200	6,089,269
Disposal	12,366,676	5,962,554
Change in fair value	(10,132,075)	(6,989,523)
At 31 December	486,565	658,900
	<b>8,442,366</b>	<b>5,721,200</b>

For the year ended 31 December 2021 the Fund realised gain amounting to SR 1,673,584 (31 December 2020: SR 10,075) on sale of these investments.

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**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 2021					
		Carrying amount		Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
<b>Financial assets</b>							
Investments at FVTPL	8,442,366	-	8,442,366	8,442,366	-	-	8,442,366
Other assets	-	481,862	481,862	-	-	-	-
Cash and cash equivalents	-	338,313	338,313	-	-	-	-
	8,442,366	820,175	9,262,541	8,442,366	-	-	8,442,366
<b>Financial liabilities</b>							
Accrued expenses	-	87,852	87,852	-	-	-	-
	-	87,852	87,852	-	-	-	-
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
<b>Financial assets</b>							
Investments at FVTPL	5,721,200	-	5,721,200	5,721,200	-	-	5,721,200
Cash and cash equivalents	-	1,543,924	1,543,924	-	-	-	-
	5,721,200	1,543,924	7,265,124	5,721,200	-	-	5,721,200
<b>Financial liabilities</b>							
Accrued expenses	-	48,782	48,782	-	-	-	-
	-	48,782	48,782	-	-	-	-

**MUSHARAKA SAUDI EQUITY FUND**  
(Managed by Musharaka Capital Company)  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

**6 - RELATED PARTIES TRANSACTIONS AND BALANCES**

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	
		2021	2020	2021	2020
		SR	SR	SR	SR
Fund Manager	Management fee	172,018	127,845	61,727	12,115
Fund Board	Board of Directors remuneration	12,000	12,000	-	-
Sharia Committee	Sharia Committee remuneration	24,000	28,000	-	-
				61,727	12,115

The Fund Manager investment in the Fund as at 31 December 2021 is SR 7,749,760 (31 December 2020: SR 6,035,339) which represents 84.46 % 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 member only payable to the independent members, maximum up to 24,000 per annum	Paid semi annually.
Sharia Committee remuneration	SR 24,000 (previously SR 28,000)	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 2021.

**8 - FINANCIAL RISK MANAGEMENT**

The objective of the Funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its Unitholders and to ensure reasonable safety to the Unitholders.

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



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**8 - FINANCIAL RISK MANAGEMENT (Continued)**

**(a) Market Risk:**

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Fund's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(i) 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.

**(ii) 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.

**(b) 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>2021</u>	<u>2020</u>
	<u>SR</u>	<u>SR</u>
Other assets	481,862	-
Cash and cash equivalents	338,313	1,543,924
	<u>820,175</u>	<u>1,543,924</u>

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

**(c) 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.

	<b>31 December 2021</b>			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
<b>Financial Liabilities</b>				
Accrued expenses	87,852	87,852	-	-
	<u>87,852</u>	<u>87,852</u>	<u>-</u>	<u>-</u>
	<b>31 December 2020</b>			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
<b>Financial Liabilities</b>				
Accrued expenses	48,782	48,782	-	-
	<u>48,782</u>	<u>48,782</u>	<u>-</u>	<u>-</u>

**9 - APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board of Directors on 28 March 2022.