

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
INFORMATION

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Condensed interim financial information for the six-month period ended 30 June 2022 (unaudited)

Index	Page
Report on review of the condensed interim financial information	2
Condensed interim statement of profit or loss and other comprehensive income	3
Condensed interim statement of financial position	4
Condensed interim statement of changes in net assets attributable to unitholders	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 13

REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION

To the Unitholders Musharaka Murabahat and Sukuk Fund

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Musharaka Murabahat and Sukuk Fund (the "Fund") managed by Musharaka Capital Company (the "Fund Manager") as of 30 June 2022 and the related condensed interim statements of profit or loss and other comprehensive income, condensed interim statement of changes in net assets attributable to unitholders and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

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

Conclusion

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

Allied Accountants Professional Services Company



Mohammed Bin Farhan Bin Nader
License No. 435
Khobar, Saudi Arabia
15 August 2022 (corresponding 17 Muharram 1444H)



MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Condensed interim statement of profit or loss and other comprehensive income (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Revenue			
(Loss) gain on investments carried at fair value	5	(55,685)	145,177
Finance income	6	79,497	88,259
Total Revenue		23,812	233,436
Expenses			
Fund management fee	7	(40,724)	(55,965)
Other expenses	8	(57,480)	(54,837)
Total expenses		(98,204)	(110,802)
(Loss) profit for the period		(74,392)	122,634
Other comprehensive income		-	-
Total comprehensive (loss) income for the period		(74,392)	122,634

The accompanying notes form are an integral part of this condensed interim financial information.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Condensed interim statement of financial position (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

		As at 30 June 2022	As at 31 December 2021
	Note	(Unaudited)	(Audited)
Assets			
Investments at fair value through profit or loss	5	3,827,823	12,462,351
Short-term Murabaha deposits	6	6,654,550	9,158,747
Accrued finance income	6	34,478	83,544
Prepaid expenses		6,258	1,842
Cash at banks		1,225,883	2,950,329
Total assets		11,748,992	24,656,813
Liabilities			
Accrued fund management fee	7	40,724	42,491
Accrued expenses	9	28,931	31,135
Total liabilities		69,655	73,626
Net assets attributable to unit holders		11,679,337	24,583,187
Units in issue		1,108,912	2,326,985
Per unit value (Saudi Riyals)		10.53	10.56

The accompanying notes form an integral part of this condensed interim financial information.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Condensed interim statement of changes in net assets attributable to unitholders (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30	
	2022	2021
	(Unaudited)	(Unaudited)
At 1 January	24,583,187	17,566,285
Change from operation		
Total comprehensive (loss) income for the period	(74,392)	122,634
Changes from unit transaction		
Proceeds from units issued during the period	31,209	22,180,000
Value of units redeemed during the period	(12,860,667)	(21,394,039)
Net change from unit transactions	(12,829,458)	785,961
At 30 June	11,679,337	18,474,880
<u>Movement in number of units</u>		
At 1 January	2,326,985	1,682,893
Units issued during the period	2,961	2,119,478
Units redeemed during the period	(1,221,034)	(2,043,118)
Net change in units	(1,218,073)	76,360
At 30 June	1,108,912	1,759,253

The accompanying notes form an integral part of this condensed interim financial information.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Condensed interim statement of cash flows (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30	
		2022	June
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
(Loss) profit for the period		(74,392)	122,634
Adjustment for:			
(Loss) gain on investments carried at fair value through profit or loss	5	55,685	(145,177)
Finance income	6	(79,497)	(88,259)
Changes in operating assets and liabilities:			
Decrease in investments carried at fair value through profit or loss		8,708,920	922,338
Decrease accrued finance income		49,066	-
Increase in prepaid expenses		(4,416)	-
Decrease (increase) in short term Murabaha deposits		2,453,617	(8,059,609)
Increase (decrease) accrued fund management fees		(1,767)	9,094
(Decrease) increase accrued expenses		(2,204)	(14,692)
Cash generated from (used in) operations		11,105,012	(7,253,671)
Finance income received		-	45,623
Net cash inflow (outflow) from operating activities		11,105,012	(7,208,048)
Cash flows from financing activities			
Proceeds from units issued		31,209	22,180,000
Payment for redemption of units		(12,860,667)	(21,394,039)
Net cash (outflow) inflow from financing activities		(12,829,458)	785,961
Net decrease in cash and cash equivalents		(1,724,446)	(6,422,087)
Cash at banks beginning of period		2,950,329	6,713,069
Cash at banks end of period		1,225,883	290,982

The accompanying notes are an integral part of these condensed interim financial information.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION

Musharaka Murabahat and Sukuk Fund (the "Fund") is an open-ended investment fund, managed by Musharaka Capital Company (the "Fund Manager"), licensed by Capital Market Authority ("CMA") under license 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 terms and conditions of the Fund were approved by CMA on 29 Rabi II 1441H (corresponding to 26 December 2019). The Fund commenced its activities on 13 Rajab 1441H (corresponding to 8 March 2020) pursuant to such approval and after concluding the subscription procedures.

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

The primary investment objective of the Fund is to generate returns for the investors in the short and medium term and to sustain the capital investment.

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

a) Statement of compliance

This condensed interim financial information for the six-month period ended 30 June 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore, be read in conjunction with the Fund's annual financial statements for the year ended 31 December 2021.

b) Historical cost convention

The condensed interim financial information has been prepared on a historical cost basis except for investments at FVTPL.

c) 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 2022.

d) Functional and presentation currency

Items included in the condensed interim financial information of the Fund is measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The condensed interim financial information is presented in Saudi Arabian Riyals ("Saudi Riyals").

Summary of significant accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of this condensed interim financial information 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 period in which the estimates are revised.

The key judgments, estimates and assumptions that have an impact on the condensed interim financial information of the Fund are discussed below:

4 NEW STANDARDS AND AMENDMENTS TO THE STANDARDS ADOPTED BY THE FUND

Amendments to the IFRS, effective from 1 January 2022 or later, do not have any material effect on the Fund's condensed interim financial information. Further, the Fund has not early adopted any new standards, interpretation or amendment that have been issued but that are yet not effective.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The investment portfolio is allocated among the various economic sectors, movement in these investments is as follows:

	Units of open-ended mutual funds	Sukuks (debt instruments)	Total
For the six-month period ended 30 June 2022			
At 1 January	8,657,127	3,805,224	12,462,351
Additions	3,800,000	-	3,800,000
Disposals	(8,684,474)	(3,694,369)	(12,378,843)
Change in fair value	55,170	(110,855)	(55,685)
At 30 June	3,827,823	-	3,827,823
For the year ended 31 December 2021			
At 1 January	5,998,908	s	9,876,268
Additions	8,000,000	1,028,280	9,028,280
Disposals	(5,515,762)	(1,030,038)	(6,545,800)
Change in fair value	173,981	(70,378)	103,603
At 31 December 2021	8,657,127	3,805,224	12,462,351

Cost and fair value of the investment portfolio as at 30 June 2022 and 31 December 2021 is as follows:

	As at 30 June 2022		As at 31 December 2021	
	Cost	Market value	Cost	Market value
(a) Units of open-ended mutual funds				
Itqan Fund For Murabahat and Sukuk	1,300,000	1,311,292	4,376,722	4,483,156
Alkhair Capital Murabaha fund	-	-	3,606,101	3,669,744
FALCOM SAR Murabaha Fund	-	-	500,323	504,227
SICO Capital Money Market Fund	2,500,000	2,516,531	-	-
	3,800,000	3,827,823	8,483,146	8,657,127
(b) Investment in Sukuks (debt instruments)				
Riyadh Sukuk Limited	-	-	888,647	889,630
MAF Sukuk Ltd	-	-	1,986,735	1,955,125
Saudi Telecom Co	-	-	998,922	960,469
	-	-	3,874,304	3,805,224
Total investment at FVTPL	3,800,000	3,827,823	12,357,450	12,462,351

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

6 FINANCE INCOME

	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Finance income on short term Murabaha deposits	79,497	88,259
	<u>79,497</u>	<u>88,259</u>

Short term Murabaha deposits represent amount invested by the Fund in Murabaha deposit held with local banks and financial institute and have an original maturity of more than 3 months from the placement date rates ranging from 1.5% to 4.5% (30 June 2021: 1.65% to 4.5%) per annum. As at period / year end, accrued finance income on such deposits is Saudi Riyals 34,478 (31 December 2021: Saudi Riyals 83,544).

7 FUND MANAGEMENT FEE

The Fund is managed and administered by the Fund Manager. For these services, the Fund calculates the management fee, as set out in the Fund's terms and conditions, at an annual rate of 0.45% of the Fund net assets. For the six- month period ended management fee is amounting to Saudi Riyals 40,724 (2021: Saudi Riyals 42,491).

8 OTHER EXPENSES

	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Professional fee	11,406	11,406
Custody fee	14,257	14,257
Shariah Committee fees	7,483	8,926
Board of Directors' fee	6,000	5,951
Capital Market Authority ("CMA") fee	3,719	3,719
Tadawul fee	2,851	2,851
Others	11,764	7,727
	<u>57,480</u>	<u>54,837</u>

9 ACCRUED EXPENSES

	30 June 2021 (Unaudited)	31 December 2021 (Unaudited)
Professional fee	17,156	23,000
Custody fee	8,056	8,135
CMA fee	3,719	-
	<u>28,931</u>	<u>31,135</u>

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

10 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the Fund Manager, two funds managed by the fund manager (Musharaka REIT Fund and Arsh real estate fund) referred as “affiliate” and the Fund Board.

a) Transactions with related parties during the period were as follows:

Related party	Relationship	Nature of transaction	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Musharaka Capital Company	Fund Manager	Fund Management fee	40,724	55,965
Arsh Real Estate Fund	Affiliate	Units subscribed Units redeemed	- 12,860,667	1,000,000 4,200,000
Fund Board	Board of Directors	Board of Directors remuneration	6,000	5,951

The Fund Manager’s investment in the Fund at 30 June 2022 is 400,000 units (31 December 2021: 400,000 units).

The investment of Arsh Real Estate Fund and Musharika REIT fund in the Fund at 30 June 2022 is Nil, and 500,000 units, respectively (31 December 2021: 1,221,034 and 500,000 units, respectively).

Type of fee	Basis and rate	Payment term
Fund management fees	0.45% of the net assets	Monthly
Board of Directors' remunerations	Calculated on a daily basis. Saudi Riyals 3,000 per meeting only payable to the independent members, maximum up to Saudi Riyals 6,000 per annum per member.	After the meeting of the Board of Directors

b) Amount Payables to related parties as at 30 June 2022 and 31 December 2021 is as follows.

Related party	For the six-month period ended 30 June 2021 (unaudited)	As at 31 December 2021 (audited)
Fund Manager (a)	40,724	42,491

(a) Presented under accrued fund management fee.

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Fund measures instruments quoted in an active market at a market price, because this price reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Fund recognizes transfer between levels of fair value at the end of the reporting period during which the change has occurred.

The fair value hierarchy has the following levels:

Level 1 - quoted (unadjusted) market price 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; and

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

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.

	As at 30 June 2022(unaudited)						
	Carrying Amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments at fair value through profit or loss	3,827,823	-	3,827,823	3,827,823	-	-	3,827,823
Short-term Murabaha deposits	-	6,654,550	6,654,550	-	-	-	-
Accrued finance income	-	34,478	34,478	-	-	-	-
Cash at banks	-	1,225,883	1,225,883	-	-	-	-
	3,827,823	7,914,911	11,742,734	3,827,823	-	-	3,827,823

MUSHARAKA MURABAHAT AND SUKUK FUND
(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information (unaudited) (continued)
(All amounts in Saudi Riyals unless otherwise stated)

13 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	As at 31 December 2021(audited)						
	Carrying Amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investments at fair value through profit or loss	12,462,351	-	12,462,351	8,657,127	3,805,224	-	12,462,351
Short term Murabaha							
Deposits	-	9,158,747	9,158,747	-	-	-	-
Accrued finance income	-	83,544	83,544	-	-	-	-
Cash at banks	-	2,950,329	2,950,329	-	-	-	-
	<u>12,462,351</u>	<u>1,219,262</u>	<u>24,654,971</u>	<u>8,657,127</u>	<u>3,805,224</u>	<u>-</u>	<u>12,462,351</u>

14 APPROVAL OF THE FINANCIAL STATEMENTS

The condensed interim financial information was approved by the management on 15 August 2022 (corresponding to 17 Muharram 1444H).