

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
INFORMATION**

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

Condensed interim financial information for the six-month period ended 30 June 2023 (unaudited)

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REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Unitholders Musharaka Saudi Equity Fund

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Musharaka Saudi Equity Fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager") as of 30 June 2023 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 then ended and a summary of significant accounting policies 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.

RSM Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader
License No. 435
Khobar, Saudi Arabia
7 August 2023 (Corresponding 20 Muharram 1445H)



MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

	Note	For the six-month period ended 30	
		2023 (Unaudited)	June 2022 (Unaudited)
Revenue			
Gains on investments carried at fair value, net	6	1,615,598	1,106,873
Dividend income		86,018	83,755
Total revenue		1,701,616	1,190,628
Expenses			
Fund management fee	8	(75,642)	(83,203)
Other expenses	10	(61,040)	(65,721)
Total expenses		(136,682)	(148,924)
Profit for the period		1,564,934	1,041,704
Other comprehensive income		-	-
Total comprehensive income for the period		1,564,934	1,041,704

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

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

	Note	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Assets			
Prepayments and other current assets		514,125	1,400
Investments at fair value through profit or loss	6	7,211,232	4,559,566
Cash at banks		742,352	2,522,622
Total assets		8,467,709	7,083,588
Liabilities			
Accrued fund management fee	8	27,138	48,284
Accrued expenses	7	28,369	30,150
Total liabilities		55,507	78,434
Net assets attributable to unit holders		8,412,202	7,005,154
Units in issue		560,708	571,640
Per unit value (Saudi Riyals)		15	12.25

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

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

	For the six-month period ended 30	
	2023	2022
	(Unaudited)	(Unaudited)
At 1 January	7,005,154	9,174,720
Changes from operations		
Total comprehensive income for the period	1,564,934	1,041,704
Changes from unit transactions		
Proceeds from units issued during the period	-	10,000
Value of units redeemed during the period	(157,886)	(3,085,341)
Net change from unit transactions	(157,886)	(3,075,341)
At 30 June	8,412,202	7,141,083
 <u>Movement in the number of units (Quantity)</u>		
At 1 January	571,640	811,175
Units issued during the period	-	817
Units redeemed during the period	(10,932)	(241,129)
Net change in units	(10,932)	(240,312)
At 30 June	560,708	570,863

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

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

	Note	For the six-month period ended 30	
		2023	2022
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit for the period		1,564,934	1,041,704
Adjustments for:			
Gain on investments carried at fair value through profit or loss	6	(1,615,598)	(1,106,873)
Dividend income		(86,018)	(83,755)
Changes in operating assets and liabilities:			
(Increase) decrease investments carried at fair value through profit or loss		(1,036,067)	3,817,980
(Increase) decrease in prepayments and other assets		(503,125)	478,963
(Decrease) increase in accrued expenses and other liabilities		(22,928)	37,516
Cash (used in) generated from operations		(1,698,802)	4,185,535
Dividend income received		76,418	83,755
Net cash (outflows) inflow from operating activities		(1,622,384)	4,269,290
Cash flows from financing activities			
Proceeds from units issued		-	10,000
Payment for redemption of units		(157,886)	(3,085,341)
Net cash outflow from financing activities		(157,886)	(3,075,341)
Net change in cash at banks		(1,780,270)	1,193,949
Cash at banks at beginning of period		2,522,622	338,313
Cash at banks at end of period		742,352	1,532,262

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

MUSHARAKA SAUDI EQUITY 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 Saudi Equity Fund (the “Fund”) is an open-ended public 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 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.

The Fund’s objective is to invest in the initial public offering (IPO), Real Estate Investment Trust, the ordinary shares and premium shares of the companies which are listed on Saudi primary and secondary stock exchange markets.

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

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

This condensed interim financial information for the six-month period ended 30 June 2023 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 these interim results may not be an indicator of the annual result of the Fund. Further, should therefore, be read in conjunction with the Fund’s annual financial statements for the year ended 31 December 2022.

2.2 Basis of measurement

The condensed interim financial information has been prepared on a historical cost basis, except for investments that are carried at fair value through profit or loss (“FVTPL”) that have been measured at fair value.

2.3 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”).

2.4 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 2023.

MUSHARAKA SAUDI EQUITY 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 condensed consolidated interim financial information in conformity with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factor, including expectations of future events that are believed to be reasonable under the circumstances. The Fund makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no significant changes in critical accounting estimates and judgements used by management in the preparation of the condensed interim financial information from those that were applied and disclosed in the annual financial statements for the year ended 31 December 2022.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those applicable in the annual financial statements for the year ended 31 December 2022.

5 NEW STANDARDS AND AMENDMENTS TO STANDARDS ADOPTED BY THE FUND

Amendments to the IFRS, effective from 1 January 2023 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.

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 wise investments	30 June 2023 (unaudited)		31 December 2022 (audited)	
	Fair value	Weighted average cost	Fair value	Weighted average cost
Finance	-	-	181,000	125,800
Consumer services / discretionary	795,000	530,500	859,186	913,313
Telecommunication services / Communication services	893,450	757,632	183,000	181,550
Materials	401,300	392,596	503,800	616,690
Health care	842,050	639,418	-	-
Banks	365,000	376,000	701,500	794,850
Food and staples retailing	746,150	574,606	395,450	417,037
Real estate	267,460	206,661	206,662	239,994
Software and services / Information technology	1,413,000	914,800	1,014,400	663,500
Energy	843,936	694,881	514,568	593,410
Diversified Financials	453,676	469,098	-	-
Retailing	190,210	185,673	-	-
Total	7,211,232	5,741,865	4,559,566	4,546,144

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.

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

6 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

Gain on investment carried at fair value through profit or loss:

	For six-month period ended 30 June 2023 (unaudited)	For six-month period ended 30 June 2022 (audited)
Realised gain	146,231	1,294,008
Unrealized gain (loss)	1,469,367	(187,135)
	1,615,598	1,106,873

7 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Audit fee payable		10,265	15,525
Custody fee payable		8,484	8,625
Fund board fee payable	11	5,901	6,000
CMA fee payable		3,719	-
		28,369	30,150

8 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 1.75% of the Fund's net assets. For the six- month period ended management fee amounted to Saudi Riyals 75.6 thousand (2022: Saudi Riyals 83.2 thousand).

9 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 2023 (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	7,211,232	-	7,211,232	7,211,232	-	-	7,211,232
	7,211,232	-	7,211,232	7,211,232	-	-	7,211,232
Financial liabilities							
Accrued expenses	-	55,507	55,507	-	-	-	-
	-	55,507	55,507	-	-	-	-

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

9 FAIR VALUES (continued)

	31 December 2022 (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	4,559,566	-	4,559,566	4,559,566	-	-	4,559,566
Cash at banks	-	2,522,622	2,522,622	-	-	-	-
	<u>4,559,566</u>	<u>2,522,622</u>	<u>7,082,188</u>	<u>4,559,566</u>	<u>-</u>	<u>-</u>	<u>4,559,566</u>
Financial liabilities							
Accrued expenses	-	78,434	78,434	-	-	-	-
	<u>-</u>	<u>78,434</u>	<u>78,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

10 OTHER EXPENSES

	For six-month period ended 30 June 2023 (unaudited)	For six-month period ended 30 June 2022 (unaudited)
Custody fee	17,109	17,109
Sharia Committee fee	12,000	12,000
Board of Directors fee	11,901	8,926
Professional fees	10,265	8,554
Other	9,765	19,132
	<u>61,040</u>	<u>65,721</u>

11 RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties comprise the Fund manager, directors, associated Funds and key management personnel. Related parties also include business entities in which certain Fund manager or senior management have an interest.

The following table provides the total amount of transactions and balances that have been entered into with related parties during the six-month period ended 30 June 2023:

Name and nature of related parties	Nature of transaction with the related parties	Transactions for the period		Balances	
		For six-month period ended 30 June 2023 (unaudited)	For six-month period ended 30 June 2022 (unaudited)	As at 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Musharaka Capital Company - Fund Manager	Fund management fee	75,642	95,683	27,138	48,284
Board of Directors - Fund Board	Board meeting expense	11,901	8,926	5,901	6,000
				<u>33,039</u>	<u>54,284</u>

MUSHARAKA SAUDI EQUITY FUND
(Managed by Musharaka Capital Company)

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

11 RELATED PARTIES BALANCES AND TRANSACTIONS (continued)

The Fund Manager's investment in the Fund as at 30 June 2023 is Saudi Riyals 6,757,917 (31 December 2022: Saudi Riyals 5.5 million) which represents 80.33 % of the Fund's issued units (31 December 2022: 79 %).

The remuneration of the Fund's Board of Directors is Saudi Riyals 3,000 per meeting only, payable to the independent members, maximum up to Saudi Riyals 24,000 per annum. The remuneration is payable after every meeting of the Board of Directors.

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 of rate	Payment term
Fund management fee	1.75 % of net asset value	Annually
Board of Directors remunerations	Saudi Riyals 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

12 APPROVAL OF FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund's Board on 7 August 2023 (Corresponding 20 Moharram 1445H).