

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT

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

Financial statements for the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders Musharaka Murabahat and Sukuk Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Musharaka Murabahat and Sukuk Fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2024, and the statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2024, 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 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 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that are endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the requirements of the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The 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 issued by SOCPA, the applicable provisions of the Investment Fund Regulations issued by the Capital Market Authority, the Fund's terms and conditions, and for such internal control as the Fund Manager 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, the 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 the 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. Fund's Board is 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, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. 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.

Independent auditor's report to the Unitholders of Musharaka Murabahat and Sukuk Fund (continued)

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 omission, 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 the Fund's 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.

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License No. 435

Al-Khobar, Kingdom of Saudi Arabia

18 March 2025 (corresponding to 18 Ramadan 1446H)



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

Statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2024	2023
Revenue			
Gains on investments carried at fair value through profit or loss	7	1,419,758	148,187
Finance income	6	1,331,674	297,495
Total revenue		2,751,432	445,682
Expenses			
Fund management fee	12 , 13	(255,359)	(53,940)
Other expenses	5	(102,956)	(94,459)
Total expenses		(358,315)	(148,399)
Profit for the year		2,393,117	297,283
Other comprehensive income		-	-
Total comprehensive income for the year		2,393,117	297,283

The accompanying notes form an integral part of these financial statements.

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

Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2024	2023
Assets			
Investments	7	27,656,057	3,395,616
Short-term Murabaha deposits	9	-	2,800,000
Accrued Murabaha income	8, 9	141,266	23,799
Prepaid expenses		-	3,313
Cash and cash equivalents	8	33,260,239	933,117
Total assets		61,057,562	7,155,845
Liabilities			
Accrued management fee	12	44,899	9,463
Redemption payable	10	9,073,977	-
Accrued expenses and other liabilities	11	40,683	32,078
Total liabilities		9,159,559	41,541
Net assets attributable to unit holders		51,898,003	7,114,304
Units in issue (Numbers)		4,539,562	651,535
Net asset value per unit (Saudi Riyals)		11.43	10.92

The accompanying notes form an integral part of these financial statements.

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

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

	For the year ended 31 December	
	2024	2023
At 1 January	7,114,304	12,287,910
Changes from operations		
Total comprehensive income for the year	2,393,117	297,283
Changes from unit transaction		
Proceeds from units issued during the year	152,489,910	1,075,000
Payment against units redeemed during the year	(110,099,328)	(6,545,889)
Net change from unit transactions	42,390,582	(5,470,889)
At 31 December	51,898,003	7,114,304
<u>Movement in the number of units</u>		
At 1 January	651,535	1,156,434
Units issued during the year	13,742,422	99,133
Units redeemed during the year	(9,854,395)	(604,032)
Net change in units	3,888,027	(504,899)
At 31 December	4,539,562	651,535

The accompanying notes form an integral part of these financial statements.

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

Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2024	2023
Cash flows from operating activities			
Profit for the year		2,393,117	297,283
Adjustments for:			
Fair value gain on investments at fair value through profit or loss	7	(795,848)	(57,058)
Finance income	6	(1,331,674)	(297,495)
Changes in operating assets and liabilities:			
(Increase) decrease in investments		(23,464,593)	2,906,928
Net changes in short-term Murabaha deposits		2,739,655	2,110,333
Decrease in prepaid expenses		3,313	1,064
Increase (decrease) in accrued management fee		35,436	(12,583)
Increase (decrease) in accrued expenses and other liabilities		8,605	(3,332)
Net cash (utilized in) generated from operations		(20,411,989)	4,945,140
Finance income received		1,274,552	308,348
Net cash (outflow) inflow from operating activities		(19,137,437)	5,253,488
Cash flows from financing activities			
Proceeds from subscription of units		152,489,910	1,075,000
Payments against redemption of units		(101,025,351)	(6,545,889)
Net cash inflow (outflow) from financing activities		51,464,559	(5,470,889)
Net change in cash and cash equivalents		32,327,122	(217,401)
Cash and cash equivalents at the beginning of the year		933,117	1,150,518
Cash and cash equivalents at the end of the year		33,260,239	933,117

Non-cash financing activity 17

The accompanying notes form an integral part of these financial statements.

MUSHARAKA MURABAHAT AND SUKUK FUND

(Managed by Musharaka Capital Company)

Notes to the financial statements for the year ended 31 December 2024

(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 dated 13 Rajab 1441H (corresponding to 8 March 2020).

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 Regulations were amended by the CMA board on 12 Rajab 1442H (corresponding to 22 February 2021).

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 terms and conditions of the Fund were last updated during 2023.

The primary investment objective of the Fund is to generate returns for unitholders in the short and medium term while preserving capital and allowing them to redeem their investment when they reassess risk, ensuring effective risk management.

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.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The Fund has also complied with the Regulations and the Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”) with respect to preparation and presentation of these financial statements.

2.2 Basis of measurement

Th financial statements have 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 financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Saudi Arabian Riyals (“Saudi Riyals”).

MUSHARAKA MURABAHAT AND SUKUK FUND

(Managed by Musharaka Capital Company)

Notes to the financial statements for the year ended 31 December 2024 (Continued)

(All amounts in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied for the preparation of financial statements of the Fund are set out below. The accounting policies have been consistently applied to all the years presented.

3.1 Revenue

- Gain or loss on sale of investment is accounted for in the profit or loss in the year in which it arises.
- Fair value changes on investments classified at fair value through profit or loss (“FVTPL”) is included in the statement of profit or loss in the year in which it arises.
- Profit / mark-up on short-term Murabaha deposits is recognised on effective interest rate method.

3.2 Expenses

All expenses chargeable to the Fund including fee of the Fund Manager, custody fee, annual fee of the CMA, and other expenses are recognised in profit or loss on an accrual basis.

3.3 Financial instruments

Financial assets

Initial recognition

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 FVTPL if they are acquired for the purpose of selling or repurchasing them in the near term. The Fund designated its holding in 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 profit or loss.

Financial assets at amortised cost

The Fund holds certain financial assets comprising Sukuks, and carries them at amortised cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

MUSHARAKA MURABAHAT AND SUKUK FUND

(Managed by Musharaka Capital Company)

Notes to the financial statements for the year ended 31 December 2024 (Continued)

(All amounts in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through other comprehensive income

Upon initial recognition, the Fund can elect to classify irrevocably its investments as equity instruments designated at fair value through other comprehensive income (“OCI”) when they meet the definition of equity. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as revenue in the statement of profit or loss when the right to payment has been established.

Derecognition

A financial asset is primarily derecognized 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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognizes 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

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognized as well as through the effective interest rate method. Transaction costs are amortised using the effective interest rate method from the date at which the liability is recognised over the repayment terms.

Derecognition

A financial liability is derecognized 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 realize the assets and settle the liabilities simultaneously.

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.4 Cash and cash equivalents

Cash and cash equivalents generally comprise cash on hand and cash in current accounts with banks and other short-term highly liquid investments with maturities of three months or less (if any), which are available to the Fund without any restrictions.

3.5 Other payable and liabilities

Other payables are recognized initially at fair value plus directly attributable cost, if any and subsequently measured at amortized cost. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

3.6 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Fund Manager for the applications received, during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.7 Net asset value per unit

The net asset value per unit as disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the number of units in issue at the reporting date.

3.8 Unitholders' fund

The unitholders' fund, representing the units issued by the Fund, is measured at the redemption value, which reflects the investors' right to the residual interest in the Fund's net assets.

3.9 New and amended standards adopted by the Fund

The Fund has applied the amendments to the standards for the first time for its reporting period commencing on or after 1 January 2024:

- Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements - These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- Amendment to IAS 1 – Noncurrent liabilities with covenants - These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

The adoption of above amendments did not have a material impact on the accompanying financial statements.

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

3 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.10 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are mandatory from 1 January 2025 or later reporting periods and have not been early adopted by the Fund. The Fund is in the process of assessing the impacts of new standards and interpretations on its financial statements.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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. 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 and estimates and assumptions that have a significant impact on the financial statements of the Fund is 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'.

5 OTHER EXPENSES

		2024	2023
	Note		
Custody fee	13	28,750	28,750
Professional fee		20,700	20,700
Shariah committee fee		18,031	17,977
Board of Directors' fee	13	12,000	12,000
Capital Market Authority ("CMA") fee		7,500	7,500
Tadawul fee		5,750	5,750
Other		10,225	1,782
		102,956	94,459

6 FINANCE INCOME

	2024	2023
Finance income on Murabaha deposits	1,281,492	249,325
Finance income on Sukuks	50,182	48,170
	1,331,674	297,495

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

7 INVESTMENTS

	2024	2023
At fair value through profit or loss (FVTPL)		
- Open ended mutual funds	26,885,870	2,624,851
At amortised cost		
- Debt instruments - Sukuks	770,187	770,765
As at 31 December	27,656,057	3,395,616

The investment portfolio comprises investment in Mutual Funds and Sukuks, where movement in such investments is as follows:

	Fair value through profit or loss Units of open- ended mutual funds	Amortised cost Sukuks (debt - instruments)
For the year ended 31 December 2024		
At 1 January	2,624,851	770,765
Additions	68,900,000	-
Disposals	(45,434,829)	-
Income received	-	(50,760)
Change in fair value	795,848	-
Finance income	-	50,182
As at 31 December 2024	26,885,870	770,187
For the year ended 31 December 2023		
At 1 January	5,478,934	766,552
Additions	1,800,000	760,180
Disposals	(4,700,297)	(804,137)
Change in fair value	46,214	-
Finance income	-	48,170
As at 31 December 2023	2,624,851	770,765

Cost and fair value of the investment portfolio measured at fair value through profit or loss as at 31 December 2024 and 31 December 2023 is as follows:

	As at 31 December 2024		As at 31 December 2023	
	Weighted average cost	Market value	Weighted average cost	Market value
(a) Units of open-ended mutual funds				
Alistithmar Capital SAR Murabaha Fund	8,821,747	9,180,301	-	-
Alpha Murabaha Fund	8,659,643	8,960,665	-	-
Al-Badr Murabaha Fund - SAR	5,008,632	5,121,598	-	-
Itqan Fund for Murabahat and Sukuk	3,500,000	3,521,137	1,600,098	1,600,877
Alinma Saudi Riyal Liquidity Fund	100,000	102,169	-	-
Alkhair Capital Murabaha fund	-	-	967,695	1,023,974
Total investments at FVTPL	26,090,022	26,885,870	2,567,793	2,624,851

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

7 INVESTMENTS (Continued)

Gain from investments carried at FVTPL:

	<u>2024</u>	<u>2023</u>
Realized gain from investments carried at FVTPL	623,910	91,129
Unrealized gain from investments carried at FVTPL	795,848	57,058
	<u>1,419,758</u>	<u>148,187</u>

8 CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Murabaha deposits	25,523,210	-
Cash at banks	7,737,029	933,117
	<u>33,260,239</u>	<u>933,117</u>

Murabaha deposits represent amounts invested by the Fund with financial institutions and local banks under Murabaha arrangements, and have an original maturity of less than three months from the placement date with a return ranging from 4.8% to 6.3% per annum. As at 31 December 2024, accrued finance income on such deposits amounted to Saudi Riyals 141,266.

9 SHORT-TERM MURABAHA DEPOSITS

At 31 December 2023, short-term Murabaha deposits represent amount invested by the Fund in Murabaha deposits held with local banks and financial institutions, and have an original maturity of more than three months and less than twelve months from the placement date with profit rates ranging from 4.28% to 6% per annum. As at 31 December 2023, accrued finance income on such deposits amounted to Saudi Riyals 23,799. There were no such deposits as at 31 December 2024.

10 REDEMPTION PAYABLE

As of 31 December 2024, the redemption payable represents the amount owed to a unitholder for the redemption of the units before the year-end. This amount was paid subsequent to the reporting date.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2024</u>	<u>2023</u>
	Note	
Professional fee	16,100	16,100
Custody fee	13 8,116	8,135
Shariah committee fee payable	5,718	-
CMA fee	-	7,500
Other	10,749	343
	<u>40,683</u>	<u>32,078</u>

12 FUND MANAGEMENT FEE

The Fund is managed and administered by the Fund Manager. For such 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's net assets. For the year ended 31 December 2024, management fee amounted to Saudi Riyals 255,359 (2023: Saudi Riyals 53,940).

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

13 RELATED PARTIES TRANSACTIONS AND BALANCES

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

In the ordinary course of its activities, the Fund transacts with related parties. Related party transactions are in accordance with the Terms and Conditions of the Fund. All the related party transactions are approved by the Fund Board.

Transactions with related parties during the period were as follows:

Name and nature of related parties	Nature of transaction with the related parties	Transactions for the year		Balances	
		2024	2023	2024	2023
Musharaka Capital Company -					
Fund Manager	Fund management fee	255,359	53,940	44,899	9,463
Board of Directors	Board of Directors fee	12,000	12,000	-	-
Itqan Capital Company	Custody fee	28,750	28,750	8,116	8,135
	Murabaha deposits	-	-	3,302,369	-
	Finance income on Murabaha deposits	7,881	-	-	-
				3,355,384	17,598

The Fund Manager's investment in the Fund at 31 December 2023 was 400,000 Units, which was redeemed during the year ended 31 December 2024.

Type of fee	Rate	Payment term
Management fees	0.45% of the net assets calculated on a daily basis.	Monthly
Fund Board	Saudi Riyals 3,000 per member only payable to the independent members, maximum up to Saudi Riyals 6,000 per annum per member.	Paid after each meeting semi-annually

14 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 maximize the use of relevant observable inputs and minimize 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.

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

Notes to the financial statements for the year ended 31 December 2024 (Continued)
(All amounts in Saudi Riyals unless otherwise stated)

14 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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.

	At 31 December 2024						
	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	26,885,870	-	26,885,870	26,885,870	-	-	26,885,870
Investments at amortised cost	-	770,187	770,187	-	-	-	-
Accrued finance income	-	141,266	141,266	-	-	-	-
Cash and cash equivalents	-	26,060,239	26,060,239	-	-	-	-
	26,885,870	26,971,692	53,857,562	26,885,870	-	-	26,885,870

	At 31 December 2023						
	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	2,624,851	-	2,624,851	2,624,851	-	-	2,624,851
Investments at amortised cost	-	770,765	770,765	-	-	-	-
Short-term Murabaha deposits	-	2,800,000	2,800,000	-	-	-	-
Accrued finance income	-	23,799	23,799	-	-	-	-
Cash at banks	-	933,117	933,117	-	-	-	-
	2,624,851	4,527,681	7,152,532	2,624,851	-	-	2,624,851

MUSHARAKA MURABAHAT AND SUKUK FUND

(Managed by Musharaka Capital Company)

Notes to the financial statements for the year ended 31 December 2024 (Continued)

(All amounts in Saudi Riyals unless otherwise stated)

15 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.

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. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

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 the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines. The Fund seeks to manage its credit risk with respect to the banks and financial institutions by only dealing with reputable parties. The table below analyses the Fund's maximum exposure to credit risk:

	2024	2023
Investments	27,656,057	3,395,616
Cash and cash equivalents	26,060,239	933,177
Short-term Murabaha deposits	-	2,800,000
	<u>53,716,296</u>	<u>7,128,793</u>

c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risk arises from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

MUSHARAKA MURABAHAT AND SUKUK FUND

(Managed by Musharaka Capital Company)

Notes to the financial statements for the year ended 31 December 2024 (Continued)

(All amounts in Saudi Riyals unless otherwise stated)

15 FINANCIAL RISK MANAGEMENT (Continued)

d) Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximize returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investment.

e) Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the unit holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's terms and conditions. The Fund manages its liquidity risk by monitoring investing activities and cash flows on regular basis.

All financial liabilities as at 31 December 2024 amounted to Saudi Riyals 9.1 million (31 December 2023: Saudi Riyals 0.04 million) are to be matured within 12 months from the reporting date.

16 LAST 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 2024.

17 SUPPLEMENTAL NON-CASH ACTIVITY

Non-cash financing activity

	<u>2024</u>	<u>2023</u>
Units redeemed and not yet paid	9,073,977	-

18 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 18 March 2025 (corresponding to 18 Ramadan 1446H).