

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017
AND LIMITED REVIEW REPORT

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Unaudited Interim Financial Statements and Limited Review Report
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To the Unit-Holders of

Musharaka IPO Fund

Khobar, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim statement of financial position of Musharaka IPO Fund (the "Fund") as at 30 June 2017 and the related interim statements of income, cash flows and changes in net assets attributable to unit holders for the six-month period then ended, and a summary of significant accounting policies and the notes from (1) to (9), which form an integral part of these interim financial statements. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the interim financial statements 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' as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 interim financial statements does not present fairly, in all material respects, the financial position of the Fund as at 30 June 2017 and its financial performance and cash flows for the six-month period then ended in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants

Ayad Obeyan Alseraihi
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26 Shawwal, 1438
July 20, 2017



MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Interim Statement of Financial Position (unaudited)
AS AT 30 JUNE 2017

	<u>Notes</u>	<u>2017</u> SR	<u>2016</u> SR
ASSETS			
Bank balances		9,126,505	25,384,540
Investments held for trading	5	39,360,604	37,376,533
Prepayments		51,603	62,698
Dividend receivable		110,000	318,752
Total assets		48,648,712	63,142,523
LIABILITIES			
Due to a related party	6	80,149	107,672
Accrued expenses		3,741	-
Total liabilities		83,890	107,672
Net assets attributable to unit holders		48,564,822	63,034,851
Units in issue		4,866,158	5,978,968
Net assets attributable to each unit		9.98	10.54

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

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Interim Statement of Income (unaudited)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

	Notes	2017	2016
		SR	SR
<u>INCOME</u>			
Realized gain on investments, net		342,277	3,275,003
Unrealized loss on investments, net		(5,136,219)	(2,271,198)
Dividends income		1,004,006	761,887
Other income		12,000	3,945
Total (loss) income		(3,777,936)	1,769,637
<u>EXPENSES</u>			
Management fees	4	443,580	594,206
Fund board expenses	4	63,369	25,833
Other expenses	4	59,029	129,163
Total expenses		565,978	749,202
NET (LOSS) INCOME FOR THE PERIOD		(4,343,914)	1,020,435

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

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Interim Statement of Cash Flows (unaudited)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

	<u>2017</u>	<u>2016</u>
	SR	SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the period	(4,343,914)	1,020,435
<i>Adjustments for:</i>		
Unrealized loss on investments, net	5,136,219	2,271,198
	792,305	3,291,633
<i>Changes in operating assets and liabilities:</i>		
Investments held for trading	4,667,494	(14,221,023)
Prepayments	55,310	(26,594)
Dividend receivable	(57,500)	(318,752)
Accrued expenses	3,741	-
Due to related a party	(16,740)	(8,823)
Net cash from (used in) operating activities	5,444,610	(11,283,559)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from units sold	-	201,970
Value of units redeemed	(1,733,621)	(19,971,728)
Net cash (used in) financing activities	(1,733,621)	(19,769,758)
Net change in bank balances	3,710,989	(31,053,317)
Bank balances at the beginning of the period	5,415,516	56,437,857
BANK BALANCES AT THE END OF THE PERIOD	9,126,505	25,384,540

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

MUSHARAKA IPO FUND**(Managed by Musharaka Capital Company)****Interim Statement of Changes in Net Assets Attributable to Unit Holders (unaudited)****FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017**

	2017	2016
	SR	SR
Net Assets Attributable to Unit Holders at the beginning of period	54,642,357	81,784,174
Net (loss) income for the period	(4,343,914)	1,020,435
	50,298,443	82,804,609
Changes from net assets attributable to unit holders		
Proceeds from units sold	-	201,970
Value of units redeemed	(1,733,621)	(19,971,728)
Net change from unit transactions	(1,733,621)	(19,769,758)
Net Assets Attributable to Unit Holders at the end of period	48,564,822	63,034,851

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

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Notes to the Interim Financial Statements
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

1. THE FUND AND ITS ACTIVITIES

Musharaka IPO Fund (the "Fund") is an open ended public investment Fund, managed by the Musharaka Capital Company (the "Fund Manager"). The Fund investment objective is to invest in the initial public offering (IPO), the shares and premium shares of the companies listed on Saudi primary and secondary stock exchange markets that does not exceed 5 years since the listing date which are consistent with the Funds Shariah criteria and Real Estate Investment Trust ("REIT"). The Fund started its operations on 2 November 2014.

The Fund manager is licensed and regulated by the Capital Market Authority ("CMA"), through license no. 13169-27, to engage in (i) dealing as a principle, (ii) managing investment funds, (iii) advising, (iv) custody and (v) arranging.

The terms and condition of the Fund were approved by CMA on 20 Dhu Al 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 activities.

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.

The books and records of the Fund are mentioned in Saudi Arabian Riyals which represents the functional and presentation currency of the Fund.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Capital Regulation (the "Regulation") published by the CMA pursuant to its resolution number 1-219-2006 dated 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and the related amendment number 1-61-2016 dated 16 Shaban 1437 (corresponding to 23 May 2016), detailing requirements of all funds within the Kingdom of Saudi Arabia.

3. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia, and in conformity with the guidelines of CMA, in so far as they affect the preparation and presentation of the interim financial statements.

Significant accounting policies adopted are as follows:

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

Notes to the Interim Financial Statements (Cont'd)

FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

Accounting convention

The interim financial statements are prepared under the historical cost convention modified to include measurement of investment held for trading at fair value.

Investments held for trading

Securities listed on a stock exchange are initially recognized at cost, being as the fair value of the consideration given and are subsequently carried at fair value. Changes in fair value of held for trading investments, comprising realized and unrealized gains and losses are included in the interim statement of incomes. Realized gains and losses on investments sold are determined on weighted average cost basis.

Investment transactions

Investments transactions are accounted for as of the trade date.

Fair value measurement

Fair value is the amount for which an asset could be exchange, or the liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded in active market at the valuation date is based on their quoted price. Instruments for which no sale was reported on the valuation date are valued at the most recent bid price. Investments in mutual funds are valued at the unit price prevailing on the last valuation day of the period.

Impairment of financial assets

An assessment is made for the financial assets at the date of the interim statement of financial position to determine whether there is evidence exist, any impairment loss is recognized in the interim statement of income. If financial assets are impaired, impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the interim statement of incomes;
- b) For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return of a similar financial assets;
- c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective commission rate.

Revenue recognition

Realized gains and losses on investment sold are determined on an average cost basis. Dividends are recognized when the Funds right to receive the payment is established.

Increase or decrease in the difference between the cost and market value of the Funds portfolio of investment are classified as unrealized gain/loss on investments held for trading in the interim statement of income.

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Notes to the Interim Financial Statements (Cont'd)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

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 balance sheet date. Exchange gains or losses are reflected in the interim statement of incomes.

Taxation / Zakat

Taxation / zakat is the obligation of the unit holders and therefore, no provision for such liability is made in these interim financial statements.

Net assets per value

The Fund is open for subscription and redemption of units on every Saudi business day. The net asset value per unit is calculated by dividing the net assets attributable to unit holders included in the interim statement of financial position by the number of units outstanding at the period end.

4. MANAGEMENT FEES AND OTHER EXPENSES

The fund is managed and administered by the Fund Manager. For these services, the Fund accrues, one month, a management fee, as set out in the Fund's terms and conditions, at an annual rate of 1.75% of the Funds 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 Board, administration, dealing costs, custody, government and other professional fees.

MUSHARAKA IPO FUND

(Managed by Musharaka Capital Company)

Notes to the Interim Financial Statements (Cont'd)**FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017****5. INVESTMENTS HELD FOR TRADING**

The investment portfolio is allocated among the various economic sectors as follows:

Sector	Industry Group	As at 30 June 2017			As at 30 June 2016		
		<u>Cost</u>	<u>Fair value</u>	<u>%</u>	<u>Cost</u>	<u>Fair value</u>	<u>%</u>
Consumer Discretionary	Consumer Services	7,449,184	5,711,400	15%	5,835,510	5,090,000	13%
	Retailing	1,745,399	2,438,000	6%	-	-	0%
	Consumer Durables & Apparel	565,420	407,834	1%	-	-	0%
Consumer Staples	Food & Staples Retailing	5,534,888	4,920,120	13%	1,539,828	1,518,083	4%
Health Care	Health Care Equipment & Services	5,153,958	5,764,600	14%	5,165,444	4,689,250	13%
Industrials	Capital Goods	7,626,958	5,112,550	13%	10,634,981	7,587,600	20%
	Transportation	4,117,492	3,826,700	10%	4,935,645	4,832,000	13%
Material	Material	10,719,427	7,987,400	20%	15,215,276	12,650,600	34%
Real Estate	Real Estate Management & Development	2,453,364	3,192,000	8%	970,972	1,009,000	3%
Total		45,366,089	39,360,604	100%	44,297,656	37,376,533	100%

The above investments are listed on the Saudi stock exchange ("Tadawul"). The Fund Manager seeks to limit risks by monitoring exposures in each investment sector and individual securities.

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Notes to the Interim Financial Statements (Cont'd)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

6. TRANSACTIONS WITH RELATED PARTIES

Related parties represents the Fund Manager, the Fund Board and the Funds Sharia committee.

The following table provides the total amount of transactions that have been entered into with related parties during the period and their resulting balances as at 30 June 2017:

Name of related party	Nature of transaction	Balance as at 30 June			
		2017	2016	2017	2016
Fund Manager	Management and custody fees	506,948	679,094	80,149	107,672
Fund Board	Board of directors fees and Sharia committee fees	25,876	25,833	-	-
				80,149	107,672

The Fund Manager investment in the Fund at 30 June 2017 is SR 15,369,379 which represents 31.65 % of the Fund's issued units (2016: SR 25,951,264 which represents 41.21 %).

In addition to the above, the Chief Executive Officer of the Fund Manager holds 13,533 units as of the balance sheet date (2016: 20.179 units).

MUSHARAKA IPO FUND
(Managed by Musharaka Capital Company)
Notes to the Interim Financial Statements (Cont'd)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2017

7. LAST VALUATION DAY

The last valuation day of the period was 22 June 2017.

8. RISK MANAGEMENT

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.

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.

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.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund is subject to fluctuation in foreign exchange rates in the normal course of its business. The fund business. The Fund did not undertake significant transactions in currencies other than Saudi Riyals.

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.

9. FAIR VALUES OF FINANCIAL STATEMENTS

The fair value of the financial instruments are not materially different from their carrying value at the balance sheet date.