

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

Condensed interim financial information for the six-month period ended 30 June 2023 (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 - 12

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 2023 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.

RSM Allied Accountants Professional Services

Mohammed Bin Farhan Bin Nader

License No. 435

Khobar, Saudi Arabia

7 August 2023(corresponding 20 Muharram 1445H)



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	
		2023 (Unaudited)	2022 (Unaudited)
Investment income			
Gain (loss) on investments carried at fair value, net	5	101,047	(55,685)
Finance income	6	162,106	79,497
Total investment income		263,153	23,812
Expenses			
Fund management fee	7	(31,684)	(40,724)
Other expenses	8	(47,342)	(57,480)
Total expenses		(79,026)	(98,204)
Profit (loss) for the period		184,127	(74,392)
Other comprehensive income		-	-
Total comprehensive income (loss) for the period		184,127	(74,392)

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 financial position (unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Assets			
Investments	5	6,350,682	6,245,486
Short-term murabaha deposits	6	5,171,313	4,910,333
Accrued finance income	6	77,135	34,652
Prepaid expenses		2,947	4,377
Cash at banks		404,394	1,150,518
Total assets		12,006,471	12,345,366
Liabilities			
Accrued fund management fee	7	13,255	22,046
Accrued expenses	9	33,415	35,410
Total liabilities		46,670	57,456
Net assets attributable to unitholders		11,959,801	12,287,910
Units in issue		1,108,192	1,156,434
Per unit value (Saudi Riyals)		10.79	10.63

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	
	2023	June
	(Unaudited)	(Unaudited)
At 1 January	12,287,910	24,583,187
Change from operation		
Total comprehensive income (loss) for the period	184,127	(74,392)
Changes from unit transaction		
Proceeds from units issued during the period	75,000	31,209
Value of units redeemed during the period	(587,236)	(12,860,667)
Net change from unit transactions	(512,236)	(12,829,458)
At 30 June	11,959,801	11,679,337
<u>Movement in number of units (Quantity)</u>		
At 1 January	1,156,434	2,326,985
Units issued during the period	7,031	2,961
Units redeemed during the period	(54,564)	(1,221,034)
Net change in units	(47,533)	(1,218,073)
At 30 June	1,108,901	1,108,912

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	
		2023	June
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit (loss) for the period		184,127	(74,392)
Adjustment for:			
(Gain) loss on investments carried at fair	5	(101,047)	55,685
Finance income	6	(162,106)	(79,497)
Changes in operating assets and liabilities:			
(Increase) decrease in investments		(4,149)	8,708,920
Decrease (increase) in prepaid expenses		1,430	(4,416)
(Increase) decrease in short term murabaha deposits		(260,980)	2,453,617
Decrease in accrued fund management fees		(8,791)	(1,767)
Decrease in accrued expenses		(1,995)	(2,204)
Cash (used in) generated from operations		(353,511)	11,055,946
Finance income received		119,623	49,066
Net cash (outflow) inflow from operating activities		(233,888)	11,105,012
Cash flows from financing activities			
Proceeds from units issued		75,000	31,209
Payment for redemption of units		(587,236)	(12,860,667)
Net cash outflow from financing activities		(512,236)	(12,829,458)
Net decrease in cash at banks		(746,124)	(1,724,446)
Cash at banks beginning of period		1,150,518	2,950,329
Cash at banks end of period		404,394	1,225,883

The accompanying notes form an integral part of this 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 dated 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 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 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.

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

2 BASIS OF PREPARATION

a) 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.

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 2023.

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 2022.

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 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 NEW STANDARDS AND AMENDMENTS TO THE 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 not yet effective.

5 INVESTMENTS

	<u>2023</u>	<u>2022</u>
At fair value through profit or loss (FVTPL)		
- Open ended mutual funds	5,579,981	5,478,934
At amortized cost		
- Debt instruments - Sukuks	770,701	766,552
As at 31 December	<u>6,350,682</u>	<u>6,245,486</u>

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

	<u>Fair value through profit or loss</u>		<u>Amortised cost</u>	
	<u>Units of open-ended mutual funds</u>	<u>Sukuks (debt instruments)</u>	<u>Total</u>	<u>Sukuks (debt instruments)</u>
For the six-month period ended 30 June 2023				
At 1 January	5,478,934	-	5,478,934	766,552
Additions	-	-	-	760,180
Disposals	-	-	-	(778,187)
Change in fair value	101,047	-	101,047	22,156
At 30 June	<u>5,579,981</u>	<u>-</u>	<u>5,579,981</u>	<u>770,701</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)

5 INVESTMENTS (continued)

For the year ended 31 December 2022

At 1 January	8,657,127	3,805,224	12,462,351	-
Additions	8,600,000	-	8,600,000	752,187
Disposals	(11,932,734)	(3,694,369)	(15,627,103)	-
Change in fair value	154,541	(110,855)	43,686	14,365
At 31 December 2022	5,478,934	-	5,478,934	766,552

Cost and fair value of the investment portfolio as at 30 June 2023 and 31 December 2022 is as follows:

	As at 30 June 2023		As at 31 December 2022	
	Cost	Market value	Cost	Market value
(a) Units of open-ended mutual funds				
Itqan Fund For Murabahat and Sukuk	2,800,000	2,892,932	2,800,000	2,849,802
Alkhair Capital Murabaha Fund	2,600,000	2,687,049	2,600,000	2,629,132
Total investment at FVTPL	5,400,000	5,579,981	5,400,000	5,478,934

6 FINANCE INCOME

	For the six-month period ended 30 June 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Finance income on short term murabaha deposits	139,951	79,497
Finance income on sukuk	22,155	-
	162,106	79,497

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 3 months from the placement date rates ranging from 4.28% to 6% (30 June 2022: 1.65% to 4.5%) per annum. As at period / year end, accrued finance income on such deposits is Saudi Riyals 77,135 (31 December 2022: Saudi Riyals 34,652).

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 30 June management fee amounts to Saudi Riyals 31,684 (Six-month period ended 30 June 2022: Saudi Riyals 40,724).

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)

8 OTHER EXPENSES

	For the six-month period ended 30 June 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Custody fee	14,257	14,257
Professional fee	10,265	11,406
Shariah Committee fee	8,915	7,483
Board of Directors fee	5,951	6,000
Capital Market Authority (“CMA”) fee	3,719	3,719
Tadawul fee	2,851	2,851
Other	1,384	11,764
	47,342	57,480

9 ACCRUED EXPENSES

	30 June 2023 (Unaudited)	31 December 2022 (audited)
Accrued professional fee	16,015	21,275
Accrued custody fee	8,056	8,135
Accrued Shariah Committee fee	5,625	-
Accrued CMA fee	3,719	-
Accrued Board of Directors fee	-	6,000
	33,415	35,410

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’s 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 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Musharaka Capital Company	Fund Manager	Fund management fee	31,684	40,724
Arsh Real Estate Fund	Affiliate	Units redeemed	-	12,860,667
Fund Board	Board of Directors	Board of Directors remuneration	5,951	6,000

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 (continued)

The Fund Manager's investment in the Fund at 30 June 2023 is 400,000 units (31 December 2022: 400,000 units).

Type of fee	Basis and rate	Payment term
Fund management fees	0.45% of the net assets	Monthly
Board of Director's remuneration	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) Amounts payable to related parties as at 30 June 2023 and 31 December 2022 is as follows:

Related party	For the six-month period ended 30 June 2023 (unaudited)	As at 31 December 2022 (audited)
Fund Manager (a)	13,255	22,046
Board of Directors	-	12,000

(a) Presented under accrued fund management fee.

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

MUSHARAKA MURABAHAT AND SUKUK FUND
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Notes to the condensed interim financial information (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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 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	5,579,981	-	5,579,981	5,579,981	-	-	5,579,981
Investment at amortised cost	-	770,701	770,701	-	-	-	-
Short-term murabaha deposits	-	5,171,313	5,171,313	-	-	-	-
Accrued finance income	-	77,135	77,135	-	-	-	-
Cash at banks	-	404,394	404,394	-	-	-	-
	5,579,981	6,423,543	12,003,524	5,579,981			5,579,981
As at 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	5,478,934	-	5,478,934	5,478,934	-	-	5,478,934
Investment at amortised cost	-	766,552	766,552	-	-	-	-
Short term Murabaha deposits	-	4,910,333	4,910,333	-	-	-	-
Accrued finance income	-	34,652	34,652	-	-	-	-
Cash at banks	-	1,150,518	1,150,518	-	-	-	-
	5,478,934	6,862,055	12,340,989	5,478,934			5,478,934

12 APPROVAL OF THE FINANCIAL STATEMENTS

The condensed interim financial information was approved by the Fund's Board on 7 August 2023 (corresponding to 20 Muharram 1445H).