Musharaka Capital Company

Pillar III Disclosure Report

31 December 2019

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Overview:

These discourses have been prepared by Musharaka Capital Co (the "Company") a Saudi Arabian closed joint stock company with commercial registration number 2051056409 dated 29 Rabie Alawwal 1435H (corresponding to 30 Jan, 2014), licensed by Saudi Capital Market Authority ("CMA" or the "authority") to conduct securities business in:

- Dealing as principal,
- Managing mutual funds
- Advisory
- Arranging
- Custody
- Discretionary Portfolio Management

Under license number 13169-27 dated 2nd Dhu Al-Hejjah 1434H (corresponding to 7 Oct, 2013). The company started its operations based on the commencement letter from CMA dated 13 Rajab 1435H (corresponding to 12 May, 2014). The company's paid up capital is SAR 65 million. The company's activities necessitate full compliance with the three "Pillars" of the Capital Requirements as defined in Prudential Rules ("PRs"). These are:

- Pillar 1, which sets out the minimum amount of capital that Musharaka needs in order to meet its basic regulatory obligations;
- Pillar 2: requires Musharaka to determine whether Pillar 1 capital is adequate to cover these risks and additional defined risks. This is achieved through the Musharaka's risk based Internal Capital Adequacy Assessment Process ("ICAAP") and is subject to annual review.
- Pillar 3, which require Musharaka to disclose key information about the underlying risks, risk assessment, management, controls and capital position hence the adequacy of capital.

The purpose of this document is to adhere to Pillar 3 requirements. Musharaka confirms there are no actual or foreseen legal impediments or liability that may affect the capital or require provision.

All disclosures hereunder were prepared based on the company's financial period starting from 1.1.2019 up to 31.12.2019.

The organization structure of the financial groups as the following:

- Musharaka IPO Fund:

  A Sharia'h compliant open-ended fund that invests in Initial Public Offerings (IPOs) and companies' shares newly listed in Saudi equity market. The Fund aims to achieve capital growth over the medium term. The company owns 80.66% of the fund's total outstanding units.

- Musharaka REIT Fund:

  A Sharia'h compliant close-ended fund that invests in income generating properties. The Fund aims to achieve capital growth and annual dividend over the medium term. The company's investment representing 5.27% of the fund's total outstanding units 4,635,524.

- Tanseeq Al-Ola Trading Company (A Saudi Limited Liability Company) ("Tanseeq") is registered in Al Khobar under commercial registration number (2051213542) dated 3 Ramadan 1438H corresponding to 28 May 2017. The main activities of the Tanseeq are to purchase, sale and lease of land and real estate, real estate development and investment activities, building construction, and export, commercial and marketing commitments on behalf of others. Tanseeq did not carry out any operation since its inception.

- ARMAS Company Limited (A Saudi Limited Liability Company) ("ARMAS") is registered in Al Dammam under commercial registration number (2050028436) dated 7 Rabi I 1415H corresponding to 13 August 1994. ARMAS is engaged in the wholesale and retail trade in marble, industrial granite, wooden pallets, and wooden and metal furniture. During the year the Company purchased a 25% of the associate for a cost of SR. 3.50 million which included a premium of SR. 1.78 million.

- Tanseeq Al Taqa Investment Company (A Single Person Company Limited) ("Al Taqa") is registered in Al Khobar under commercial registration number (2051223419) dated 20 Rabi'I 1440H corresponding to 29 November 2018. The main activities of Al Taqa are to designs, installs, maintains, and inspects solar photovoltaic systems. Operation and maintenance of pumping stations and pipelines.

The above mentioned subsidiaries, except Tanseeq Al-Ola are still under formation and did not carry out any commercial activities, accordingly, were not consolidated in these financial statements.

Capital structure

Musharaka' s capital structure includes the following elements which form the capital base:

- Paid-up share Capital:

An authorized and issued paid up capital of SAR 65 million distributed over 6.5 million shares of SAR 10 each.

- An audited Retained Earnings (Loss):

  Represents a retained earnings of SAR 2.22 million as of December 31, 2019

- Statutory reserve

  in accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the Articles of Association of the Company, a minimum of 10% of the net income for the year is required to be transferred to a statutory reserve until this reserve equals 30% of the paid-up capital.

- Tier 2 Capital:

  There are no applicable elements related to Tier 2 as of 31.12.2019.

- Net Capital base of SAR 67.4 million.

- The sum of market risk, credit risk, and operational risk (Pillar I) requirements of SAR 38.88 million.

  The following table represent the capital adequacy for the years ended December 31, 2019 & 2018.

  Capital items are treated in line with CMA Prudential Rules guidelines for the purpose of capital adequacy computation and reporting.

The capital base calculation (Tier 1&2) adjusted for applicable deductions was as follow:

Description	Dec, 2019 SR '000'	Dec, 2018 SR '000'	Change "000"	Change %
Capital base				
Tier-1 capital	67,437	61,534	5,903	9.59%
Tier-2 capital	-	-	-	-
Total Capital Base	**67,437**	**61,534**	**5,903**	**9.59%**
Minimum capital :				
Credit risks	34,735	29,584	5,151	17%
Market risks	29	17	12	70.59%
Operations risks	4,119	3,434	685	19.95%
Minimum capital requirement	**38,883**	**33,035**	**5,848**	**17.70%**
Capital adequacy ratio	**1.73**	**1.86**	**(0.13)**	**(6.99%)**
Surplus	**28,555**	**28,499**	**56**	**0.20%**

Capital adequacy

To ensure that it is in compliance with the Prudential Rules, the company maintains its capital above the minimum level set by the regulatory body. In this respect, Musharaka capital calculates its Capital Adequacy Ratio (CAR) considering the eligible proprietary investments and its risky activities as frequent as every month. Musharaka's CAR as of December 31st, 2019 was 1.73 ratio, and it is considered as a good ratio which is above the minimum required ratio of 1.

It is Musharaka's policy to maintain sufficient capital to:

- Meet regulatory requirements;
- Keep an appropriate credit standing with counterparties by maintaining financial prudence, and maintain sufficient liquid funds to meet working capital requirements.

Calculation of the Musharaka's capital resources requirement

The company's capital resources requirement for regulatory reporting purposes is the sum of the credit risk, market risk and operational risk.

Market Risks	
Equity Risk	26
Fund Risk	3
Interest Rate Risk	0
Commodities Risk	0
FX Risk	0
Underwriting Risk	0
Excess Exposure Risk	0
Settlement Risk	0
Total Market Risk	**29**
Credit Risks	
Exposures to government, central banks	0
Exposures to corporates, admin bodies, NPO	86
Exposures to APs, banks	259
Listed shares	0
Investment funds	28,379
High risk investments	2,091
Securitisations, resecuritisations	0
Margin financing	0
Prohibited risks	0
Other on-balance sheet exposures	3,919
Off-balance sheet commitments	0
Total Credit Risk	**34,735**
Operational Risks	
Total Operational Risk	**4,119**
CAPITAL RATIO (time)	**1.73**
SURPLUS / (DEFICIT)	**28,555**

Risk management

A. Risk Management Purpose:

The purpose of Musharaka's Risk Management is to develop effective risk management policies and procedures to adhere to regulatory requirements. Through the efficient implementation of these policies, Musharaka is able to identify the risks relating to its activities, processes and systems and, where appropriate, to set the level of risk Musharaka is willing to undertake as a risk appetite. In addition, the risk management strategies and processes will facilitate the process of an on-going assessment and maintenance of the amounts, types and distribution of internal capital that Musharaka considers adequate to cover the level of risks to which it might be exposed.

B. Risk Management Policy:

This risk management policy is set and defined directly by the Board of Directors who has the full responsibility of updating it. The Board is also responsible for overseeing and approving the risk management strategy and policies, internal compliance and internal controls. Risk governing and supervision are carried out at the Board level who has direct oversight on all risk issues. Audit committee conducts annual review for the risk management policy taking into consideration various changes in internal and external business environment and possible impacts on Musharaka's businesses and accordingly updates the policy. Senior Management of Musharaka assesses risk, associated internal compliance, control procedures and report on the efficiency and effectiveness of risk management practices. The process of risk management and internal compliance and control includes:

- Identifying and assessing significant risks that might impact the achievement of the Musharaka’s objectives through preventive controls.
- Developing risk management strategies to manage identified risks, designing and implementing appropriate risk management policies and procedures.
- Monitoring the performance and improving the effectiveness of risk management procedures.

Market risk

Market risk is the risk that the value of an investment decreases due to fluctuations in market prices and in particular, due to changes in interest rates, foreign exchange rates and equity and commodity prices. The associated market risk factors are the interest rate risk, the currency risk, the equity risk and the commodity risk. The associated market risks are captured in policies:

- Equity risk, the risk that stock prices and/or the implied volatility will change.
- Interest rate risk, the risk that interest rates and/or the implied volatility will change.
- Preventive measure identifies, measures, monitors, and reports market risk using a combination of tools including securities analysis, value-at-risk and stress testing.
- Assurance Musharaka’s limits are in line with its policies and prudential requirements.
- Appraisal of concentration ratios including asset class and geographical coverage considering liquidity as major element.

Musharaka’s Risk Management Framework incorporates market risk principles that aims to maintain prudent levels of exposure to market risks that may have adverse effects on profitability within the bounds of the company’s risk tolerance.

Equity Price Risks			
Equity investments	**Net Long**	**Net Short**	**Capital Requirements**
Specific Risk			
Equity	143	0	6
General Risk			20
Total Equity Price Risk			**26**

Fund Investment	Net Long	Net Short	Capital Requirements (SAR '000)
Investment Fund (HFT excluding fund underlying)	18		3
Total	18		3

Fund Name	Value (SAR '000)	Underlying Assets	Effective Value (SAR '000)		Capital Requirements (SAR '000)
Musharaka REIT Fund	46,850	Cash & Equity	46,850	179,032	25,065
Musharaka IPO Fund	5,523	Cash & Equity	5,523	7,445	1,042
Total	52,373		52,373	186,477	26,107

Investment - Trading Book Item				
Investment Exposure	**Type**	**Classification**	**Value (SAR '000)**	**Capital Requirements**
AL Maather REIT Fund	Public - Open-end	Held for Trading	18	3
SadafCo	Investment - Listed	Held for Trading	143	26
Total			**161**	**29**

Credit risk

Credit risk is defined as the probability of a counterparty to fail in meeting the obligations in accordance with agreed terms. The goal of credit risk management is to maximize returns by maintaining optimal credit risk exposure within acceptable parameters. Credit risk is inherent in the entire portfolio as well as in individual transactions. The effective credit risk management is a critical component of a comprehensive approach to risk management and essential to the long-term success of the company.

Credit risk management assists the management in developing quality counter-party base. Audit Committee, provides the necessary oversight in risk governance, management, assessment guidelines, and reports its comments and remarks to the BOD. Audit committee reviews the general risk structure on annual basis to ensure that it is commensurate with the changes in internal and external business environment. Management established policies and procedures to document following activities being undertaken to manage the credit risk. The following controls are adopted to manage the credit risk:

- Assess and reviews overall investment quality.

- Monitors and improves credit risk management techniques in order to implement the internal risk-based approaches on counter parties.
- Concentration Limits are in place, reviewed and monitored.

Credit Risk	2019 (SAR '000)	2018 (SAR '000)	Change
Exposures to APs, banks	259	428	(169)
Corporates	86	275	(189)
Investment funds	2,273	1,656	617
Investment funds (Underlying)	26,107	22,043	4,064
High risk investments	2,091	3,968	(1,877)
Other on-balance sheet exposures	3,919	1,214	2,705
Total credit risk	***34,735***	***29,584***	5,151

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables and due from related parties, the Company applies a simplified approach in calculating ECLs. Therefore, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

ACCOUNTS RECEIVABLES

	2019	2018
	SR	*SR*
Accounts receivables - related parties (note 22)	**9,852,442**	6,980,283
Accounts receivables - third party	**294,371**	301,250
Allowance for expected credit losses	**(208,026)**	(212,709)
	9,938,787	7,068,824

The movement in the provision for impairment is as follows:

	2019	2018
	SR	*SR*
1 January	**212,709**	-
Additions	**208,026**	212,709
Write-off	**(212,709)**	-
31 December	**208,026**	212,709

An aged analysis of account receivables as at 31 December 2019 is as follows:

	Past due but not impaired				
Neither past due nor impaired	**< 180 days**	**181-270 days**	**270-365 days**	**> 365 days**	**Total**
SR	***SR***	***SR***	***SR***	***SR***	***SR***
9,611,368	**78,750**	**26,250**	**14,344**	**208,075**	**9,938,787**

ACCOUNTS RECEIVABLES

An aged analysis of account receivables as at 31 December 2018 is as follows:

Past due but not impaired				
< 180 days	181-270 days	270-365 days	> 365 days	Total
SR	*SR*	*SR*	*SR*	*SR*
-	-	275,000	212,708	7,281,533

Operational risk

Operational risk is the risk of loss resulting from inadequate or lack of internal control processes, mechanisms, people and systems or external events. It includes legal risk as well. It is inherent in all Company's business functions and can occur from a variety of circumstances such as fraud, error, omission or system failure.

For this reason, Musharaka has in place a business continuity policy that in the case of business interruption, it enables the preservation or at least the timely recovery and continuation of essential operations and functions. Also the exposure it has to its data providers is mitigated by ensuring the regular backup of its data and the maintenance, monitoring and update of its servers and networks and effectively built disaster recovery site that will be available online for its alternate recovery requirements. In addition to this has proper controls, authorization matrices and limits are in place with dual control concept on operations and well defined framework in respect of policies and procedures. Audit committee and Compliance reviews are carried out to identify control weakness. For calculating its capital requirements for operational risk, the company follows the expenditure-based approach as described in Prudential Rules.

Operational Risks	Year -3	Year -2	Year -1	(SAR '000)		
1. Basic Indicator Approach	**2017**	**2018**	**2019**	**Average**	**Risk charge (%)**	**Capital requirements (SAR '000)**
Operating income	19,596	22,784	19,367	20,582	15	**3,087**
2. Expenditure-based approach						
Overhead expenses (SAR '000)			16,474		25	**4,119**
Total Operational Risks						**4,119**

Liquidity risk

The Company assesses the liquidity risk through mismatch of assets and liabilities maturities over at least next one year's horizon.

The company evaluates the liquidity risk using the maturity ladder approach which involves analysing liquidity gaps in different time periods. This approach enables the Company in the evaluation of the gaps between the inflows and the outflows so that remedial measures could be taken in time.

The negative differences due to mismatches between the maturities of the assets and liabilities are made and adjusted with operational cash flows that are already stressed at 10%. An annual average funding requirement is computed using the net negative gaps and the cost of fund. This cost is taken as capital charge because it is presumed to have direct effect on the earning.

Currently, the maturity mismatch of the Company is in positive condition. Hence, the measured amount of risk is also Nil.

Currently the liquidity is monitored by the management and BOD through projected cash in certain future period.

Liquidity Ratio
As at 31.12.2019

Description	1 - 3 months	3 - 12 months	1 year - 5 years	more than 5 years	Total
Assets					
Current Assets					
Financial assets at fair value though profit or los	5,683,785				5,683,785
Due form related parties	9,938,787				9,938,787
Prepayment and other receivables	576,006	878,367			1,454,373
Cash and cash equivalent	9,256,227				9,256,227
Total Current Assets	**25,454,805**	**878,367**	**0**	**0**	**26,333,172**
Non current assets					
Property and equipment			8,846,822		8,846,822
Investment in unconsolidated subsidiaries			20,000		20,000
Investment in associates			50,563,765		50,563,765
Total Non current Assets	**0**	**0**	**59,430,587**	**0**	**59,430,587**
Total ASSETS	**25,454,805**	**878,367**	**59,430,587**	**0**	**85,763,759**
LIABILITIES and Shareholders' Equity					
current liabilities					
Accrued Expenses and other Liabilities	968,100				968,100
Zakat Payable		622,069			622,069
Short term borrowings		8,786,200			8,786,200
Total Current Liabilities	**968,100**	**9,408,269**	**0**	**0**	**10,376,369**
Non Current liabilities					
Employee termination benefits			1,612,242		1,612,242
Lease Liability	638,296	2,966,307	2,733,351	0	6,337,954
Total Non Current Liabilities	**638,296**	**2,966,307**	**4,345,593**	**0**	**7,950,196**
Shareholder's Equity	**0**	**0**	**0**	**67,437,194**	**85,763,759**
Total Liabilities and Shareholder's Equity	**1,606,396**	**12,374,576**	**4,345,593**	**67,437,194**	**85,763,759**
Balance sheet GAP	23,848,409	(11,496,209)	55,084,994	(67,437,194)	0
Cumulaitve GAP	23,848,409	12,352,200	67,437,194	0	0

Indicators	Ratio	Description
Current Ratio (Times)	2.5	This reflects the fair amount of comfort level in meeting its short-term liabilities and fixed cost
Liquid assets / Total Assets	30.7%	Liquid assets are cash and cash equivalents and investments readily convertible into cash.
Debt/Assets Ratio	21%	shows the proportion of a company's assets which are financed through debt

Other major risk

Reputation Risk

Is the probability of loss resulting from damages to the company's reputation, in lost revenue, increased operating, capital or regulatory costs, or destruction of shareholder value, consequent to an adverse or potentially criminal event even if the company is not found guilty. Adverse events typically associated with reputation risk include ethics, safety, security, sustainability, quality, and innovation. Reputational risk can be a matter of corporate trust.

Due to limitation of data and any other measure in the absence of the Company's market capitalization the following steps are used to qualitatively keep the risk mitigated:

- Detailed Anti-Money Laundering policy and procedures;
- Effective communication with stakeholders; and
- Enforcement of controls on governance, business and legal compliance.
- Promoting high standards of professional ethics by promoting the employees commitment to the Code of conduct.

Concentration Risk

The concentration risk arises mainly in company's investment bulk of which is one mutual fund, however, the underlying risk itself is fairly diversified.

Any exposure above the 25% of the total available capital of the Company is considered as highly concentrated and is considered for risk measurement. Any amount that is higher than the stated limit is subjected to maximum credit risk weight of 714% minus its regular credit risk weight already applied in credit risk measurement. The resultant amount is factored by 14% to arrive at capital charge.

Business Risk

Business risk encompasses the exposure to uncertainty in the wider economic and competitive environment. The impact of that environment on Musharaka's ability to carry out its stated business plan. This risk is managed by a long-term focus, assisted by appropriate management oversight and a documented diversified corporate strategy and business plan.

Compliance Risk

Operating in highly regulated environment may result in general non-compliances of regulatory requirements therefore to mitigate any financial and reputational impacts the Compliance function is responsible for monitoring adherence to regulatory standards and for reporting its findings to relevant senior management, appropriate committees and to the Board. The Compliance function is also responsible for the provision of technical regulatory/compliance advice and support.

In this regard, Musharaka has established and implemented a comprehensive compliance program subject to an annual review.

Risk mitigation

Musharaka considering its risks arising out of it activities. Musharaka has adopted appropriate policies commiserating with its risk requirements which include various elements of risk mitigating techniques as following:

a) **Credit risk**

The Company calculates the capital charge for credit risk by applying the Standardized Approach as used in regulatory return for Pillar I. In using this approach, all balances (Company and others assets) and investments, excluding the trading portfolio, are categorized into the relevant buckets as prescribed in guidelines. Appropriate risk weights, based on credit ratings of counterparties are applied to determine the Company's overall credit risk weighted assets. The Investment portfolio of the Company includes investments in shares, which have been classified as HFT investment. The investment in equity funds is carried at average cost and is subject to credit risk under the standardized approach as promulgated by CMA through its regulation.

b) **Concentration risk**

The financing and investment portfolio of the Company consists of exposures in two economic sectors namely equity portfolio/investment funds and real estate.

Any exposure over and above the 25% of the total available capital of the Company is considered as highly concentrated and is considered for risk measurement. Any amount that is higher than the sated limit is subjected to maximum credit risk weight of 714% minus its regular credit risk weight already applied in credit risk measurement. The resultant amount is factored by 14% to arrive at capital charge.

c) **Liquidity risk**

The Company's liquidity risk is assessed through mismatch of assets and liabilities maturities over at least next one year's horizon.

The liquidity risk is assessed using the maturity ladder approach which involves analysing liquidity gaps in different time periods. This approach enables the Company in assessing the gaps between the inflows and the outflows so that remedial measures could be taken in time.

The negative gaps due to mismatches between the maturities of the assets and liabilities are taken and adjusted with operational cash flows that are already stressed at 10%. An annual average funding requirement is computed using the net negative gaps and a cost of fund is arrived at. This cost is taken as capital charge because it is presumed to have direct effect on the earning.

Currently, the maturity mismatch of the Company is in positive condition, hence, the measured amount of risk is also Nil.

Currently the liquidity is monitored by the management and BOD through projected cash in certain future period.

d) Legal risk

Legal risk is arising from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations. Legal risk also includes risk arising from the lack of proper documentation of contracts.

The Company assesses the extent of legal risk by monitoring certain indicators which are indicative of risk concerns. The indicators are:

- Internally identified erroneous non-compliances;
- History of non-compliance events identified by CMA;
- No. of cases filed against the company;
- Duration of time for each case;
- Strength of documentation of each case. e.g. the strength of collateral documentation;
- Value of the claim; and
- Complexity involved in the case i.e. regulatory concerns, cross-border cases.

The risk is measured by taking the un-avoidable and covered legal cases against the Company. These are factored at business growth factor to arrive at capital charge amount.

Legal risk is monitored rigorously by compliance department that ensures the Company's compliance with applicable rules and regulations on a regular basis and exception noted are resolved and followed in accordance with its procedural manual, as approved by the BOD.

The Company does not have any current or foreseen legal impediment affecting the prompt transfer of capital or repayment of liabilities with any of its activities.

e) Reputational risk

The reputation risk can arise from following sources:

- No. of complaints lodged by customers;
- Failure to comply with regulatory or legal obligations;
- Failure to deliver minimum standards of service and product quality to customers;
- Unethical practices in the conduct of business;
- Failure to achieve financial performance targets;
- Association with suppliers, partners and alliances with poor reputations; and
- Employee dissatisfaction and negative publicity by media.

The following steps are used to qualitatively keep the risk under controlled.

- Detailed Anti-Money Laundering policy and procedures;
- Effective communication with stakeholders; and
- Enforcement of controls on governance, business and legal compliance.

Appendix:

1- Balance Sheet:

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 SR	2018 SR
ASSETS			
Property and equipment	5	8,846,822	2,356,487
Investment in unconsolidated subsidiaries	6	20,000	20,000
Investment in associates	7	50,563,765	45,759,801
Financial assets at fair value through profit or loss	8	5,683,785	5,221,711
Prepayments and other receivables	9	1,454,373	1,624,467
Accounts receivables	10	9,938,787	7,068,824
Cash and cash equivalents		9,256,227	15,282,215
TOTAL ASSETS		85,763,759	77,333,505
LIABILITIE AND SHAREHOLDERS' EQUITY			
Liabilities			
Lease liability	11	6,337,954	-
Employee termination benefits	12	1,612,242	1,204,939
Accrued expenses and other payables	13	968,100	1,629,918
Short-term borrowings	14	8,786,200	11,000,000
Zakat payable	15	622,069	741,178
Total liabilities		18,326,565	14,576,035
Shareholders' Equity			
Capital	16	65,000,000	65,000,000
Statutory reserve	17	213,252	-
Retained earnings (accumulated losses)		2,223,942	(2,242,530)
Total shareholders' equity		67,437,194	62,757,470
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		85,763,759	77,333,505

The accompanying notes form an integral part of these financial statements

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2- Income Statement:

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	***2019***	*2018*
		SR	*SR*
Income			
Revenue from service contracts with customers	18	**15,548,659**	20,594,598
Unrealized gain (loss) on financial assets at fair value through profit or loss	8	**437,234**	(1,223,533)
Realized gain (loss) on financial assets at fair value through profit or loss	8	**119,270**	(90,250)
Dividends income		**5,380**	18,012
Share of results of associates	7	**2,244,406**	2,025,077
Other income	21	**1,012,500**	1,460,934
		19,367,449	22,784,838
Expenses			
Investment in an associate writen off	7	**(1,500,000)**	-
Marketing expenses		**(157,325)**	(287,547)
General and administrative expenses	19	**(14,030,169)**	(13,448,749)
Finance costs	20	**(877,303)**	(49,278)
Income before zakat		**2,802,652**	8,999,264
Zakat	15	**(670,136)**	(1,311,321)
NET INCOME FOR THE YEAR		**2,132,516**	7,687,943
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of defined benefit liability	12	**(64,365)**	(40,011)
Share of OCI of associate	7	**14,213**	480
Other comprehensive loss for the year		**(50,152)**	(39,531)
Total comprehensive income for the year		**2,082,364**	7,648,412

The accompanying notes form an integral part of these financial statements

Musharaka
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App 1, Illustrative Disclosure on Credit Risk`s Weight for the year ended 31.12.2019

Risk Wrights	Exposures after netting and credit risk mitigation													
	Governments and central bank	Administrative bodies and NPO	Authorised persons and banks	Margin Financing	Corporates	High Risk Investment	Past due items	Investment fund	Investment fund (Underlying)	Listed shares	Others exposures	Prohibited risks	Off-balance sheet commitments	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
20%	9,256	-	-	-	-	-	-	-	-	-	-	-	-	1,851	**259**
50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
100%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
150%	-	-	-	-	-	-	-	16,234	186,476	-	-	-	-	202,710	**28,379**
200%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
300%	-	-	-	-	-	-	-	-	-	-	9,332	-	-	27,995	**3,919**
400%	-	-	-	-		3734	-	-	-	-	-	-	-	14,936	**2,092**
714%					86									614	**86**
714% (include prohibited exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Average Risk Weight	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Deduction from Capital Base	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**248,106**	**34,735**

App 2, Illustrative Disclosure on Credit Risk`s Rated Exposure SAR ('000')

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks		-	-	-	-	-	-	-
Authrised Persons and Banks		-	-	-	-	-	-	-
Corporates		-	-	-	-	-	-	-
Retail		-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-
Securitisation		-	-	-	-	-	-	-
Margin Financing		-	-	-	-	-	-	-
Other Assets		-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**

Exposure Class	Long term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S&P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A 1	A 2	A 3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks		-	-	-	-	-
Authrised Persons and Banks		9,256	-	-	-	-
Corporates		-	-	-	-	86
Retail		-	-	-	-	-
Investments Fund		-	-	-	-	52,391
Securitisation		-	-	-	-	-
Margin Financing		-	-	-	-	-
Other Assets		-	-	-	-	10,822
Total		**9,256**	**-**	**-**	**-**	**63,299**