MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MUSHARAKA CAPITAL COMPANY

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Musharaka Capital Company (the "Company") which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management 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 and Regulations for Companies and the Company's Bylaw and for such internal control as management 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company'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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF MUSHARAKA CAPITAL COMPANY

Report on the Audit of the Financial Statements

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 judgement 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 the 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 Company'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 Company 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.

Baker Tilly MKM & Co.
Certified Public Accountants

Majid Muneer Alnemer
License No. 381
Al-Khobar 19 Sha'ban 1443H
22 March 2022

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BAKER TILLY
M K M & CO.

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	***2021***	*2020*
		SR	*SR*
ASSETS			
Property and equipment	4	**1,602,701**	1,507,916
Intangible assets	5	**542,484**	733,332
Right-of-use asset	6	**5,518,685**	5,559,400
Investment in unconsolidated subsidiaries	8	**18,195**	18,719
Investment in associates	9	**46,185,320**	46,795,137
Financial assets at fair value through profit or loss	10	**19,931,146**	15,032,049
Prepayments and other receivables	11	**1,485,473**	709,542
Accounts receivable	12	**10,608,004**	14,106,161
Cash and cash equivalents		**5,506,650**	5,647,289
TOTAL ASSETS		**91,398,658**	90,109,545
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Lease liability	7	**5,670,042**	5,699,659
Employee defined benefits obligation	13	**1,791,513**	1,924,780
Accrued expenses and other payables	14	**1,982,488**	2,575,466
Short-term borrowings	15	**3,786,077**	5,776,580
Provision for zakat	16	**1,000,546**	1,000,001
Total liabilities		**14,230,666**	16,976,486
Shareholders' equity			
Capital	1	**65,000,000**	65,000,000
Statutory reserve	18	**1,729,412**	924,171
Retained earnings		**10,438,580**	7,208,888
Total shareholders' equity		**77,167,992**	73,133,059
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**91,398,658**	90,109,545

The accompanying notes form an integral part of these financial statements

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	***2021***	*2020*
		SR	*SR*
Income			
Revenue from service contracts with customers	19	**20,984,002**	21,657,529
Gain on financial assets at fair value through profit or loss	10	**1,887,756**	1,763,893
Dividends income		**-**	32,840
Share in results of associates	8,9	**1,786,517**	883,520
Other income	22	**855,000**	478,803
		25,513,275	24,816,585
Expenses			
Impairment of investment in associates	9	**-**	(1,500,000)
Marketing expenses		**(143,056)**	(321,279)
General and administrative expenses	20	**(15,529,884)**	(13,831,293)
Finance costs	21	**(666,752)**	(942,042)
Income before zakat		**9,173,583**	8,221,971
Zakat charge	16	**(1,121,172)**	(1,112,780)
NET INCOME FOR THE YEAR		**8,052,411**	7,109,191
Other Comprehensive Income (OCI)			
OCI that will not be reclassified to profit or loss in subsequent years:			
Remeasurements of employee defined benefits obligation	13	**539,666**	87,206
Share in OCI of associates	9	**(7,144)**	(5,535)
Other comprehensive income for the year		**532,522**	81,671
Total comprehensive income for the year		**8,584,933**	7,190,862

The accompanying notes form an integral part of these financial statements

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Capital	*Statutory reserve*	*Retained earning*	*Total equity*
	SR	***SR***	***SR***	***SR***
For the year ended 31 December 2021:				
As at 1 January 2021	**65,000,000**	**924,171**	**7,208,888**	**73,133,059**
Net income for the year	**-**	**-**	**8,052,411**	**8,052,411**
Other comprehensive income	**-**	**-**	**532,522**	**532,522**
Total comprehensive income	**-**	**-**	**8,584,933**	**8,584,933**
Transfer to statutory reserve (note 18)	**-**	**805,241**	**(805,241)**	**-**
Dividends (note 17)	**-**	**-**	**(4,550,000)**	**(4,550,000)**
As at 31 December 2021	**65,000,000**	**1,729,412**	**10,438,580**	**77,167,992**
For the year ended 31 December 2020:				
As at 1 January 2020	65,000,000	213,252	2,223,945	67,437,197
Net income for the year	-	-	7,109,191	7,109,191
Other comprehensive loss	-	-	81,671	81,671
Total comprehensive income	-	-	7,190,862	7,190,862
Transfer to statutory reserve (note 18)	-	710,919	(710,919)	-
Dividends (note 17)	-	-	(1,495,000)	(1,495,000)
As at 31 December 2020	65,000,000	924,171	7,208,888	73,133,059

The accompanying notes form an integral part of these financial statements

MUSHARAKA CAPITAL COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	SR	*SR*
OPERATING ACTIVITIES		
Income before zakat	**9,173,583**	8,221,971
Adjustments for non-cash items:		
Depreciation and amortisation	**1,500,063**	1,522,769
Finance costs	**666,752**	942,042
Employee defined benefits obligation incurred	**417,386**	428,124
Provision for expected credit loss	**-**	140,366
Share of results of associates	**(1,786,517)**	(883,520)
Impairment of investment in associates	**-**	1,500,000
Gain on financial assets at fair value through profit or loss	**(1,887,756)**	(1,763,893)
Rent concession	**-**	(94,536)
	8,083,511	10,013,323
Changes in working capital:		
Accounts receivable	**3,498,157**	(4,307,740)
Prepayments and other receivables	**(775,931)**	744,831
Accrued expenses and other payables	**(588,577)**	1,610,744
	10,217,160	8,061,158
Zakat paid	**(1,120,627)**	(734,848)
Finance cost paid	**(287,530)**	(524,243)
Employee defined benefits obligation paid	**(62,638)**	(78,712)
Net cash flows from operating activities	**8,746,365**	6,723,355
INVESTING ACTIVITIES		
Additions to financial assets at fair value through profit or loss	**(10,310,416)**	(36,087,487)
Proceeds from sale of financial assets at fair value through profit or loss	**7,299,075**	28,503,116
Additions to investment in associates	**(400,000)**	(102,200)
Dividends received from an associate	**2,789,714**	3,250,094
Purchase of property and equipment	**(530,977)**	(161,624)
Purchase of intangible assets	**(34,500)**	(314,968)
Net cash flows used in investing activities	**(1,187,104)**	(4,913,069)
FINANCING ACTIVITIES		
Lease liability paid	**(1,159,397)**	(914,604)
Net change in short-term loan	**(1,990,503)**	(3,009,620)
Dividends paid	**(4,550,000)**	(1,495,000)
Net cash flows used in financing activities	**(7,699,900)**	(5,419,224)
Net change in cash and cash equivalents	**(140,639)**	(3,608,938)
Cash and cash equivalents at the beginning of the year	**5,647,289**	9,256,227
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**5,506,650**	5,647,289

The accompanying notes form an integral part of these financial statements

1 - COMPANY INFORMATION

Musharaka Capital Company (the "Company") is engaged in dealing as a principal, managing mutual funds, clients portfolio management and providing consulting, arranging and custody services for securities business under license No. 13169-27 dated 2 Dhul-Hijjah, 1434 H (October 7, 2013) issued by the Capital Market Authority ("CMA"). The Company's operations are conducted principally in Saudi Arabia.

The Company is a Saudi Closed Joint Stock Company incorporated under Ministry of Commerce and Investment resolution number 73/K dated 29 Rabi' I, 1435 H (30 January 2014). The Company is registered in Kingdom of Saudi Arabia, operating under commercial registration ("CR") No. 2051056409 issued in Al Khobar on 20 Rabi' II, 1435H (February 20, 2014). The registered address of the Company is P.O. Box 712, Al Khobar 31952, Kingdom of Saudi Arabia.

The share capital of the Company amounting to SR 65,000,000 consists of 6,500,000 shares of SR 10 each. The shareholders of the Company along with their shareholdings as at 31 December 2021 and 2020 are as follows:

Name of shareholder	Number of shares		Amount		Percentage	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*
			SR	*SR*	**%**	**%**
Al Rajhi Ekhwan Group Company	**1,820,000**	1,820,000	**18,200,000**	18,200,000	**28.0%**	28.0%
Atar Holding Company	**1,690,000**	1,690,000	**16,900,000**	16,900,000	**26.0%**	26.0%
Abdullah M. Al Shaikh Trading Company	**-**	1,300,000	**-**	13,000,000	**0.0%**	20.0%
Yaqeen Holding Company	**1,137,500**	1,137,500	**11,375,000**	11,375,000	**17.5%**	17.5%
Sadara Development Investment Company	**1,300,000**	**-**	**13,000,000**	**-**	**20.0%**	0.0%
Mr. Ebrahim Bin Fahad Bin Mohammad Al Assaf	**552,500**	552,500	**5,525,000**	5,525,000	**8.5%**	8.5%
	6,500,000	6,500,000	**65,000,000**	65,000,000	**100%**	100%

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 - BASIS OF PREPARATION

The financial statements of the Company for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss ("FVTPL") and employee defined benefits obligation that have been measured at the present value of the expected benefits obligation. The financial statements are presented in Saudi Riyals which is also the functional currency of the Company and all values are rounded to the nearest Saudi Riyal (SR), except when otherwise indicated.

2.2 - SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing its financial statements:

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Leasehold improvements 4 to 10 years
- Furniture, fixtures and office equipment 4 years
- Vehicles 4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT (Continued)

Capital Work in Progress is stated at cost incurred until the asset is ready for its intended use, thereafter, this cost is capitalized on the related assets. This include the cost of contractors, services and capital advances. Capital Work in Progress is not depreciated. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets are not capitalised and expenditure is recognised in the statement of profit or loss and other comprehensive income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

LEASES

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for

Company as a lessee

A- Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES (Continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income.

INVESTMENT IN ASSOCIATES

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT IN ASSOCIATES (Continued)

An investment is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the Company's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

(a) Goodwill relating to an associate is included in the carrying amount of the investment and not tested for impairment separately.

(b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

The statement of profit or loss and other comprehensive income reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as 'Share of profit of an associate and in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the investment upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in profit or loss.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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 amortised cost

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

The Company's financial assets at amortised cost includes accounts receivable, other receivables and cash and cash equivalents.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL ASSETS (Continued)

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Gains and losses on these financial assets are recognised in profit or loss directly. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition
A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

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).

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

For accounts receivables, 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.

FINANCIAL LIABILITIES

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accrued expenses and other payables, short term borrowings and lease liability.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (Continued)

Financial liabilities at fair value through profit or loss

The Company does not have financial liabilities at fair value through profit or loss.

Loans and borrowings and payables

This is the category most relevant to the Company. After initial recognition, loans and borrowings and payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or 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 realise the assets and settle the liabilities simultaneously.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends.

PROVISIONS

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

EMPLOYEE DEFINED BENEFITS OBLIGATION

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

FAIR VALUE MEASUREMENT

The Company measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

The principal or the most advantageous market must be accessible by the Company.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices 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,
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

REVENUE FROM SERVICE CONTRACTS WITH CUSTOMERS

The Company recognises revenue under IFRS using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Company recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps model revenue recognition criteria are disclosed in note 19.

EXPENSES

Marketing expenses are those that are arising from the Company's efforts underlying marketing activities. All other expenses are classified as general and administrative expenses.

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

ZAKAT

The Company provide for zakat in accordance with the regulations of the General Authority of Zakat,Tax and Customs Authority (ZATCA). The provision is charged to the statement of profit or loss and other comprehensive income.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

ASSETS UNDER MANAGEMENT

The Company offers assets management services to its customers in a form of management of mutual funds. Such assets are not treated as assets of the Company and accordingly are not included in these financial statements.

FOREIGN CURRENCIES

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 - APPLICATION OF NEW AND REVISED IFRS

2.3.1 *New and revised IFRSs applied with no material effect on the financial statements*

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

2.3.2 - *New and revised IFRSs in issue but not yet effective and not early adopted*

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 *Presentation of Financial Statements* regarding the classification of liabilities.	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting	1 January 2023
IFRS 17 *Insurance Contracts* establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 *Business Combination* updating a reference to the Conceptual Framework.	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use.	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 - Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Determination of control over investees

The Company acts as Fund Manager for number of investment funds. Determining whether the Company controls/has significant influence on such funds or not, usually requires management judgment on the level of its decision making power over the relevant activities of the funds. Management analyses its role as an investor and as an agent in reaching out to a conclusion on its level of control/influence and the appropriate accounting treatment for investments in each fund separately.

3.2 - Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of investment in an associate

Impairment exists when the carrying value of an investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to premium paid on investment in associate upon acquisition.

Long-term assumptions for employees' benefits

Employees' defined benefit liabilities and benefit payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Options for extending and terminating lease contracts

- Extending and Terminating Options are included in a number of lease agreements. These terms are used to increase operational flexibility in terms of contract management. Most of the extending and terminating options are exercisable by both the Company and the Lessee.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 - Estimates and assumptions (Continued)

- When determining the tenancy contract duration, the Company's management takes into account all the facts and conditions that create an economic incentive to exercise the option of extension or not to exercise the option of termination. The extension options (or periods following termination options) are included only in the term of the tenancy contract if the lease contract reasonably confirms that the lease agreement is extended (or not finalized). The assessment is reviewed in the case of an important event or a significant change in the circumstances affecting the evaluation that are under the control of the lessee.

Lease Payments Discount

Rental payments are discounted using the Company's incremental borrowing rate (IBR). The Company's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

Provision for expected credit losses of accounts receivable

The Company uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by guarantees and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's accounts receivable is disclosed in note 12.

Satisfaction of performance obligation

The Company has signed debt arrangement agreement with Musharaka REIT fund for a success rate. The agreement specifies on its payment terms section that the Company would be entitled to the consideration on trenches that are contingent upon certain milestones, "success-based fee arrangements". Management has determined that the performance obligations are satisfied in line with the achievement of milestones.

4 - PROPERTY AND EQUIPMENT

	Leasehold improvements	*Furniture and fixtures*	*Office equipment*	*Vehicles*	*Capital work in progress*	*Total*
	SR	***SR***	***SR***	***SR***	***SR***	***SR***
Cost:						
At 1 January 2020	1,441,127	549,558	1,368,241	90,836	-	3,449,762
Additions	42,211	4,601	114,812	-	-	161,624
At 31 December 2020	1,483,338	554,159	1,483,053	90,836	-	3,611,386
Additions	**27,320**	**34,220**	**159,287**	**-**	**310,150**	**530,977**
At 31 December 2021	**1,510,658**	**588,379**	**1,642,340**	**90,836**	**310,150**	**4,142,363**
Accumulated depreciation :						
At 1 January 2021	260,669	242,698	960,169	79,477	-	1,543,013
Charge for the year	145,286	204,808	199,004	11,359	-	560,457
At 31 December 2021	405,955	447,506	1,159,173	90,836	-	2,103,470
Charge for the year	**149,124**	**97,517**	**189,551**	**-**	**-**	**436,192**
At 31 December 2021	**555,079**	**545,023**	**1,348,724**	**90,836**	**-**	**2,539,662**
Net book values:						
At 31 December 2021	**955,579**	**43,356**	**293,616**	**-**	**310,150**	**1,602,701**
At 31 December 2020	1,077,383	106,653	323,880	-	-	1,507,916

Capital Work in Progress represents advance paid for the construction of Riyadh office.

5 - INTANGIBLE ASSETS

	Software	*Capital work in progress*	*Total*
	SR	***SR***	***SR***
Cost:			
At 1 January 2020 and 31 December 2020	901,445	-	901,445
Additions	**16,875**	**17,625**	**34,500**
At 31 December 2021	**918,320**	**17,625**	**935,945**
Accumulated amortization:			
Charge for the year	168,113	-	168,113
At 31 December 2020	168,113	-	168,113
Charge for the year	**225,348**	**-**	**225,348**
At 31 December 2021	**393,461**	**-**	**393,461**
Net book values:			
At 31 December 2021	**524,859**	**17,625**	**542,484**
At 31 December 2020	733,332	-	733,332
Useful life	**4 years**		

Capital work in progress represents advance paid for the improvement in asset management software.

6 - RIGHT-OF-USE ASSET

The Company has entered in to a lease agreement for offices. Information about leases for which the Company is a lessee is presented below:

For the year ended 31 December	**2021**	2020
	SR	SR
Cost:		
1 January	**7,147,798**	7,147,798
Addition	**797,808**	-
At 31 December	**7,945,606**	7,147,798
Accumulated amortization:		
At 1 January	**(1,588,398)**	(794,199)
Charge for the year	**(838,523)**	(794,199)
At 31 December	**(2,426,921)**	(1,588,398)
Net book values:		
At 31 December	**5,518,685**	5,559,400

7 - LEASE LIABILITY

The movement in the lease liability is as follows:

	2021	2020
	SR	SR
At 1 January	**5,699,659**	6,337,954
Addition	**797,808**	-
Finance charge	**331,972**	370,845
Rentals paid	**(1,159,397)**	(914,604)
Rent concession (note 7.4)	**-**	(94,536)
At 31 December	**5,670,042**	5,699,659

7.1 Lease liability included in the statement of financial position as at 31 December:

	2021	2020
	SR	SR
Current	**842,748**	677,168
Non-current	**4,827,294**	5,022,491
	5,670,042	5,699,659

7.2 Maturity analysis - contractual undiscounted cashflows

	2021	2020
	SR	SR
Less than one year	**1,289,986**	1,009,140
One to five years	**4,457,829**	4,036,560
More than five years	**1,009,140**	2,018,280
Total undiscounted liabilities as at 31 December	**6,756,955**	7,063,980

7.3 - Amounts recognised in profit and loss for the year ended 31 December

	2021	2020
	SR	SR
Amortisation of right-of-use assets	**838,523**	794,199
Interest on lease liabilities	**331,972**	370,845
Rent concession (note 7.4)	**-**	(94,536)
	1,170,495	1,070,508

7.4 - Concession represents discount granted by the landlord of the office building to reduce the financial impact of Covid-19 on tenants.

8 - INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

	Effective ownership interest	***2021***	*2020*
	%	***SR***	*SR*
Tanseeq Al-Ola (A)	100	**8,971**	9,250
Tanseeq al Taqa (B)	100	**9,224**	9,469
		18,195	18,719

A - 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. The company has received a waiver letter from Mr. Ibrahim Al Assaf waiving his ownership interest of 5% to the Company. The entity did not conduct any operating activities from inception till the reporting date.

The movement of investment in Tanseeq Al-Ola during the years ended 31 December is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**9,250**	10,000
Share in results	**(279)**	(750)
At 31 December	**8,971**	9,250

B - 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 entity did not conduct any operating activities from inception till the reporting date.

The movement of investment in Tanseeq Al-Taqa during the years ended 31 December is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**9,469**	10,000
Share in results	**(245)**	(531)
At 31 December	**9,224**	9,469

9 - INVESTMENT IN ASSOCIATES

	2021	*2020*
	SR	*SR*
Musharaka REIT Fund (A)	**44,076,012**	45,282,675
ARMAS Company Limited (B)	**2,109,308**	1,512,462
	46,185,320	46,795,137

	2021	*2020*
Ownership Interest	***%***	*%*
Musharaka REIT Fund (A)	**5.28**	5.28
ARMAS Company Limited (B)	**25**	25

9 - INVESTMENT IN ASSOCIATES (Continued)

The movement of investment in associates during the years ended 31 December is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**46,795,137**	50,563,765
Additions	**400,000**	102,200
Impairment / write-offs	**-**	(1,500,000)
Share in results	**1,787,041**	884,801
Share of OCI	**(7,144)**	(5,535)
Dividends	**(2,789,714)**	(3,250,094)
At 31 December	**46,185,320**	46,795,137

A. Musharaka REIT Fund

Musharaka REIT Fund ("the REIT"), is a closed-end public real estate investment fund, managed by the Company. The primary investment objective is to invest in developed real estates qualified to generate periodic rental income. The REIT is listed and publicly traded in TADAWUL in compliance with real estate investment funds regulations and real estate investment traded funds instructions issued by the CMA. The number of units of the REIT is 88 million units out of which Musharaka owns 4.650 million units (2020: 4.650 million units). Out of the Company's investment in Musharaka REIT, units of the value of 12 million (2020: SR 12 million) are pledged against short term loan (note 15).`

The following table summarizes the financial information of REIT as included in its financial statements. The table also reconciles the summarised financial information to the carrying amount of the Company's interest in REIT.

	2021	*2020*
	SR	*SR*
Total assets, including cash and cash equivalents of SR 58 million (2020: SR 45 million)	**1,441,630,892**	1,351,058,138
Total liabilities, including long term loan of SR 405 million (2020: SR 304 million)	**582,861,292**	475,610,105
Equity	**858,769,600**	875,448,033
Company's share in equity	**44,076,012**	45,282,675
Company's carrying amount of the investment	**44,076,012**	45,282,675

Summarised statement of profit or loss and other comprehensive income of REIT for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Revenue	**88,784,030**	93,454,860
Depreciation, impairment and amortization	**28,233,829**	23,249,714
Interest expense	**17,184,509**	17,685,055
Profit for the year and other comprehensive income	**29,868,881**	29,823,658
Company's share of total comprehensive income	**1,583,051**	1,580,838

The movement in the interest in REIT is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**45,282,675**	46,849,731
Additions	**-**	102,200
Share in results	**1,583,051**	1,580,838
Dividends received	**(2,789,714)**	(3,250,094)
At 31 December	**44,076,012**	45,282,675

9 - INVESTMENT IN ASSOCIATES (Continued)

B. ARMAS Company limited

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. Investment in ARMAS is owned by a subsidiary who waived its right in the favor of the Company.

	2021	*2020*
	SR	*SR*
Total assets, including cash and cash equivalents of SR 30,065 (2020: SR 193,825)	**12,939,716**	8,651,014
Total liabilities	**10,318,000**	6,801,166
Equity	**2,621,716**	1,849,848
Company's share in equity, 25%	**655,429**	462,462
Reconciliation of the carrying amount of ARMAS		
Company's share in equity at 25%	**655,429**	462,462
Additional capital contribution from Musharaka	**1,175,000**	775,000
Premium paid on investment upon acquisition	**1,775,000**	1,775,000
Other adjustments	**3,879**	-
	3,609,308	3,012,462
Less: impairment	**(1,500,000)**	(1,500,000)
	2,109,308	1,512,462

Summarised statement of profit or loss and other comprehensive income of ARMAS for the year ended 31 December:

	2021	*2020*
	SR	*SR*
Revenue	**9,978,816**	6,040,543
Depreciation	**624,042**	380,387
Total comprehensive income (loss)	**787,385**	(2,806,287)
Company's share of total comprehensive income (loss)	**196,846**	(701,572)

The movement in the interest in ARMAS is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**1,512,462**	3,714,034
Addition	**400,000**	-
Share in results	**203,990**	(696,037)
Share of OCI	**(7,144)**	(5,535)
Impairment	**-**	(1,500,000)
At 31 December	**2,109,308**	1,512,462

10 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Represents the Company's investment in Funds and managed stocks portfolio.

	2021	*2020*
	SR	*SR*
Musharaka Saudi Equity Fund	**7,741,331**	6,035,348
Musharaka Murabahat and Sukuk Fund	**4,225,720**	6,269,100
La Perla Fund	**2,064,921**	2,251,601
Al Majediah Real Estate First Fund	**1,983,554**	-
Arsh Real Estate Fund	**1,979,240**	-
Investment in Securrency	**1,875,000**	-
Investment in Listed Companies	**61,380**	476,000
	19,931,146	15,032,049

The movement of investments at fair value through profit or loss during the years ended 31 December is as follows:

	2021	*2020*
	SR	*SR*
1 January	**15,032,049**	5,683,785
Additions	**10,310,416**	36,087,487
Disposals	**(7,299,075)**	(28,503,116)
Gain on financial assets at fair value through profit or loss	**1,887,756**	1,763,893
31 December	**19,931,146**	15,032,049

11 - PREPAYMENTS AND OTHER RECEIVABLES

	2021	*2020*
	SR	*SR*
Prepayments	**660,701**	559,844
Employee receivable	**824,772**	149,698
	1,485,473	709,542

12 - ACCOUNTS RECEIVABLE

	2021	*2020*
	SR	*SR*
Accounts receivables - related parties (note 23)	**10,550,030**	14,137,209
Accounts receivables - third party	**406,367**	317,344
	10,956,397	14,454,553
Allowance for expected credit losses	**(348,393)**	(348,392)
	10,608,004	14,106,161

The movement in the allowance for expected credit losses is as follows:

	2021	*2020*
	SR	*SR*
1 January	**348,392**	208,026
Additions	**-**	140,366
31 December	**348,392**	348,392

An aged analysis of account receivables as at 31 December 2021 and 2020 are 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***
2021	**5,700,010**	**4,907,994**	**-**	**-**	**-**	**10,608,004**
2020	6,262,393	7,843,768	-	-	-	14,106,161

13 - EMPLOYEE DEFINED BENEFITS OBLIGATION

The movement in employees' termination benefits, a defined benefit plan, during the year is as follows:

	2021	*2020*
	SR	*SR*
1 January	**1,924,780**	1,612,242
Expense charged to profit or loss	**469,037**	478,456
Actuarial remeasurement charged to OCI	**(539,666)**	(87,206)
Payments	**(62,638)**	(78,712)
31 December	**1,791,513**	1,924,780

The expense charged to profit or loss comprise of:

	2021	*2020*
	SR	*SR*
Current service cost	**417,386**	428,124
Interest cost	**51,651**	50,332
Cost recognized in profit or loss	**469,037**	478,456

Significant actuarial assumptions	***As at 31 December***	
	2021	*2020*
Discount factor used	**2.59%**	2.80%
Salary increase rate	**2.00%**	2.00%
Rates of employee turnover	**Moderate**	Moderate
Retirement assumption	**Age 60**	Age 60

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2021		*31 December 2020*	
	%	***SR***	*%*	*SR*
Discount rate				
Increase	**+ 1%**	**(111,147)**	+ 1%	(134,142)
Decrease	**- 1%**	**125,558**	- 1%	152,880
Salary growth rate				
Increase	**+ 1%**	**125,027**	+ 1%	152,562
Decrease	**- 1%**	**(112,796)**	- 1%	(136,382)

14 - ACCRUED EXPENSES AND OTHER PAYABLES

	2021	*2020*
	SR	*SR*
Accrued expenses	**525,802**	653,142
Accrued bonus	**451,839**	382,405
Accrued GOSI expense	**60,753**	80,728
VAT payable	**944,094**	1,459,191
	1,982,488	2,575,466

15 - SHORT TERM BORROWINGS

	2021	*2020*
	SR	*SR*
Short-term bank loan	**3,786,077**	5,776,580

This represents short-term bank loan obtained from Alinma Investment at fixed rate of 4.95%. The Company will settle this loan in December 2022. This loan has been obtained by pledging securities in Musharaka REIT Fund with a maximum exposure of SR 12 million.

The carrying values of the short-term borrowings are denominated in Saudi Riyals.

16 - ZAKAT

Basis for zakat:

The Company is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base or adjusted profit. The significant components of the zakat base under zakat and income tax regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets.

Zakat charged to the profit or loss:

	2021	*2020*
	SR	*SR*
Current zakat charges	**1,000,546**	1,000,001
Adjustments in respect of zakat of prior years	**120,626**	112,779
	1,121,172	1,112,780

The movement in the zakat payable is as follows:

	2021	*2020*
	SR	*SR*
1 January	**1,000,001**	622,069
Charge for the year	**1,000,546**	1,000,001
Under provision of prior year	**120,626**	112,779
Payments	**(1,120,627)**	(734,848)
31 December	**1,000,546**	1,000,001

Status of certificates and assessments:

The Company has filed its zakat returns and obtained zakat certificates up to the year ended 31 December 2020. On 14 May 2020, the Company received its zakat assessments for the years from 2015 through 2017 and 25 February 2021 for the year 2019. ZATCA raised the assessments claiming additional zakat liability of SR 3,498,176 from the Company. The Company filed appeals within the statutory deadline against these assessments with ZATCA. ZATCA has reviewed the appeals and issued revised on 17 September 2020 for the years from 2015 through 2017 with the same zakat liability of SR 2,432,992 and on 28 of June 2021 for the year 2019 with zakat liability of SR 798,344. The Company filed escalations memorandum within the statutory deadline against these assessments with General Secretariate of the Tax Committees (GSTC). On 2 March 2022, the First Circle for the Resolution of Income Tax Violations and Disputes held its session online to deliberate the case and they reject the plaintiff appeal in respect for the years from 2015 to 2017, no session has been scheduled for the year 2019. The management intends to file an appeal and believes that the Company has the right to waive of all liabilities based on the bylaws and related regulations and accordingly the management believes that the Company can win its case against ZATCA.

17 DIVIDENDS

The Board of Directors declared dividends of SR 4.55 million during the year ended 31 December 2021 (31 December 2020: 1.49 million).

18 - STATUTORY RESERVE

As required by the Saudi Arabian Regulations for Companies, the Company transfers 10% of its profit for the year to the statutory reserve until the reserve equals 30% of capital. The reserve is not available for distribution as dividends.

19 - REVENUE FROM SERVICE CONTRACTS WITH CUSTOMERS

19.1 - DISAGGREGATED REVENUE INFORMATION

	2021	*2020*
	SR	*SR*
Funds management fee	**17,654,563**	17,970,919
Advisory and arranging services	**2,889,500**	3,105,000
Mutual funds subscription fee	**263,000**	516,610
Funds custody fee	**176,939**	65,000
	20,984,002	21,657,529

19 - REVENUE FROM SERVICE CONTRACTS WITH CUSTOMERS (Continued)

19.2 - PERFORMANCE OBLIGATIONS

a) Revenue from funds management fee:

The Company determines that the contract includes a single performance obligation (series of distinct services) that is satisfied over time and that the management fee is variable consideration. The services are billed to the fund at the end of each month.

b) Revenue from advisory and arranging fee:

The Company becomes entitled to the consideration on trenches that are contingent upon certain milestones as specified in the contract, “success-based fee arrangements”.

c) Revenue from mutual funds subscription fee:

Revenue from subscription fee is measured based on the consideration specified in contract with investor. Revenue is recognized at a point in time when the units in the funds are transferred, being when the units are allocated to the investors.

d) Revenue from custody fee:

Custody services include preservation of fund documents and other supporting documents, maintaining detailed and accurate records of any change in ownership of assets, keeping the books of operations of the Fund, and establishment of a special purpose company for the fund. Revenue against such services is recorded over time.

19.3 - CONTRACT BALANCES

	2021	*2020*
	SR	*SR*
Accounts receivable (note 12)	**10,608,004**	14,106,161

20 - GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Employee benefits	**9,941,784**	9,400,793
Depreciation and amortisation	**1,500,063**	1,522,769
Bonus	**1,629,419**	753,623
Professional services	**895,119**	845,687
Government expenses	**363,832**	348,106
Utilities	**298,433**	260,804
Allowance for expected credit losses	**-**	140,366
Travel	**190,447**	104,760
Printing and stationary	**61,800**	82,058
Rent	**17,500**	22,700
Others	**631,487**	349,627
	15,529,884	13,831,293

21 - FINANCE COSTS

	2021	*2020*
	SR	*SR*
Interest on borrowings	**283,129**	520,865
Interest on lease liability	**331,972**	370,845
Interest on employee benefits obligation	**51,651**	50,332
	666,752	942,042

22 - OTHER INCOME

	2021	*2020*
	SR	*SR*
Transaction fees	**855,000**	478,803

It represent transaction fee received from Musharaka REIT fund.

23 - RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, managed funds, associates and affiliated companies, directors and key personnel of the Company. Terms and conditions of these transactions are approved by the Company's management.

During the year, the Company transacted with the following related parties:

Name	**Relationship**
La Perla Fund	Managed Fund
Musharaka Saudi Equity Fund	Managed Fund
Musharaka Murabahat & Sukuk Fund	Managed Fund
Arsh Real Estate Fund	Managed Fund
Almajediah Real Estate First Fund	Managed Fund
Musharaka REIT Fund	Associate
ARMAS	Associate
Mr. Ibrahim Al Assaf	Shareholder / CEO
Sumou Holding Company and its subsidiaries	Affiliate

The following table provides the total amount of material transactions that have been entered into with related parties:

	2021	*2020*
	SR	*SR*
Management fees	**17,654,563**	17,970,919
Arranging fee	**2,299,500**	3,000,000
Transaction fees	**855,000**	478,803
Lease paid	**(1,018,974)**	(914,604)
Key management personnel remuneration	**2,435,514**	1,968,656

Due from related parties:
The above transactions resulted in the following balances with related parties at 31 December:

	2021	*2020*
Name of the party	***SR***	*SR*
Musharaka REIT Fund	**9,864,843**	8,855,234
La Perla Fund	**-**	5,262,601
Musharaka Saudi Equity Fund	**61,728**	12,101
Musharaka Murabahat & Sukuk Fund	**42,491**	7,273
Arsh Real Estate Fund	**205,050**	-
Almajediah Real Estate First Fund	**324,168**	-
Adeer Real Estate Company	**51,750**	-
	10,550,030	14,137,209

24 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

24.1 - Fair value measurements of financial instruments

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.

	31 December 2021						
	Carrying amount			***Fair value***			
	Fair value	***Amortised cost***	***Total***	***Level 1***	***Level 2***	***Level 3***	***Total***
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Financial assets							
Financial assets at FVTPL	**19,931,146**	**-**	**19,931,146**	**19,931,146**	**-**	**-**	**19,931,146**
Accounts receivable	**-**	**10,608,004**	**10,608,004**	**-**	**-**	**-**	**-**
Other receivables	**-**	**824,772**	**824,772**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**5,506,650**	**5,506,650**	**-**	**-**	**-**	**-**
	19,931,146	**16,939,426**	**36,870,572**	**19,931,146**	**-**	**-**	**19,931,146**
Financial liabilities							
Short-term borrowings	**-**	**3,786,077**	**3,786,077**	**-**	**-**	**-**	**-**
Accrued expenses and other payables	**-**	**1,982,488**	**1,982,488**	**-**	**-**	**-**	**-**
Lease liability	**-**	**5,670,042**	**5,670,042**	**-**	**-**	**-**	**-**
	-	**11,438,607**	**11,438,607**	**-**	**-**	**-**	**-**

	31 December 2020						
	Carrying amount			*Fair value*			
	Fair value	*Amortised cost*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Financial assets							
Financial assets at FVTPL	15,032,049	-	15,032,049	15,032,049	-	-	15,032,049
Accounts receivable	-	14,106,161	14,106,161	-	-	-	-
Other receivables	-	149,698	149,698	-	-	-	-
Cash and cash equivalents	-	5,647,289	5,647,289	-	-	-	-
	15,032,049	19,903,148	34,935,197	15,032,049	-	-	15,032,049
Financial liabilities							
Short-term borrowings	-	5,776,580	5,776,580	-	-	-	-
Accrued expenses and other payables	-	2,575,466	2,575,466	-	-	-	-
Lease liability	-	5,699,659	5,699,659	-	-	-	-
	-	14,051,705	14,051,705	-	-	-	-

24 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

24.2 - Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk, currency risk and interest rate risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances and account receivables as follows.

	2021	*2020*
	SR	*SR*
Cash and cash equivalents	**5,506,650**	5,647,289
Accounts receivable	**10,608,004**	14,106,161
Other receivables	**824,772**	149,698
	16,939,426	19,903,148

The carrying amount of financial assets represents the maximum credit exposure.

Bank balances are held with banks with sound credit ratings.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2021			
	Carrying amount	***Less than 1 year***	***1 year to 5 years***	***More than 5 years***
	SR	***SR***	***SR***	***SR***
Financial Liabilities				
Short-term borrowings	**3,786,077**	**3,786,077**	**-**	**-**
Accrued expenses and other payables	**1,982,488**	**1,982,488**	**-**	**-**
Lease liability	**5,670,042**	**842,748**	**3,867,350**	**959,944**
	11,438,607	**6,611,313**	**3,867,350**	**959,944**

	31 December 2020			
	Carrying amount	*Less than 1 year*	*1 year to 5 years*	*More than 5 years*
	SR	*SR*	*SR*	*SR*
Financial liabilities				
Short-term borrowings	5,776,580	5,776,580	-	-
Accrued expenses and other payables	2,575,466	2,575,466	-	-
Lease liability	5,699,659	677,168	3,146,955	1,875,536
	14,051,705	9,029,214	3,146,955	1,875,536

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Company's future commitments.

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 Company'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.

24 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

24.2 - Risk Management of Financial Instruments (Continued)

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Company's currency. The Company's transactions are principally in Saudi Riyals. Management believes that currency risk to the Company is not material.

Interest Rate Risk:

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company's results of operations and operating cash flows are substantially independent of changes in market interest rates as the Company has no variable rate interest-bearing assets and liabilities.

Management monitors the changes in interest rates and believes that interest rate risks to the Company are not significant.

25 - ASSETS UNDER MANAGEMENT

Assets under management outstanding at the end of the year in respect of mutual funds amounted to SR 1,690 million (2020: SR. 1,448 million). Consistent with its accounting policy, such balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

26 - CAPITAL ADEQUACY

In accordance with Article 74(b) of the Prudential Rules issued by the CMA (the "Rules"), given below are the disclosures of the capital base, minimum capital requirement and total capital ratio as at December 31, 2021 and 2020:

	2021	*2020*
	SR '000	*SR '000*
Capital Base:		
Tier 1 Capital	**76,626**	72,400
Tier 2 Capital	**-**	-
Total Capital Base	**76,626**	72,400
Minimum Capital Requirements:		
Market Risk	**11**	86
Credit Risk	**38,195**	35,249
Operational Risk	**4,085**	4,149
Total Minimum Capital Requirement	**42,291**	39,484
Capital Adequacy Ratio:		
Total Capital Ratio (times)	**1.81**	1.83
Tier 1 Capital Ratio (times)	**1.81**	1.83
Surplus in Capital	**34,335**	32,916

a) The above information has been extracted from the Company's annual Capital Adequacy Model for the year ended 31 December 2021 to be submitted to CMA and for the year ended 31 December 2020 as was submitted to CMA.

b) The Company's objectives when managing capital are, to comply with the capital requirements set by the CMA to safeguard the Company's ability to continue as a going concern; and to maintain a strong capital base.

c) The Capital Base consists of Tier 1 Capital and Tier 2 Capital calculated as per Article 4 and 5 of the Rules, respectively. The minimum capital requirements for market, credit and operational risks are calculated as per the requirements specified in Part 3 of the Rules.

d) The Company is required to maintain adequate capital as specified in the Rules. The capital adequacy ratio shall not be less than 1.

e) Certain information as required by Pillar Ill of the Prudential Rules will be made available to the public on the Company's website (www.musharakacapital.com), however, this information is not subject to review or audit by the external auditors of the Company.

27 - DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Company's Board of Directors on 19 Shaban 1443H corresponding to 22 March 2022.