

**SICO CAPITAL MONEY MARKET FUND  
(Previously known as Muscat Capital Money  
Market Fund)  
(Open-Ended Fund)  
MANAGED BY SICO CAPITAL (Previously known as  
Muscat Capital)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
DECEMBER 2021 AND INDEPENDENT AUDITOR'S REPORT**

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat  
Capital Money Market Fund)**

**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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## INDEPENDENT AUDITOR'S REPORT

### TO THE UNITHOLDERS

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**  
**Riyadh, Kingdom of Saudi Arabia**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)** (“the Fund”), being managed by SICO Capital (previously known as Muscat Capital) (the “Fund Manager”), which comprise of the financial position as at 31 December 2021 and the statements of comprehensive income, statement of changes in net assets (Equity) attributable to the unitholders 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 statement present fairly, in all material respects, the Financial Position of the Fund as at 31 December 2021, and it’s financial performance and it’s 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 endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

#### Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISA”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements section* of our report. We are independent of the Fund 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 Fund’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 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 endorsed by SOCPA a and the Fund’s Terms and Condition 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, Fund management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance the Board of Directors, are responsible for overseeing the Fund’s financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE UNITHOLDERS

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**  
**Riyadh, Kingdom of Saudi Arabia**

### 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 audit 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 ISA 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.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)****TO THE UNITHOLDERS****SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)****MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)****Riyadh, Kingdom of Saudi Arabia**

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.

For and on behalf of  
**Al Bassam & Co.**



**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
Registration No. 337

Riyadh, Kingdom of Saudi Arabia

28 March 2022  
25 Sha'aban 1443

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

**STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2021**

**(Amounts in Saudi Riyals)**

	Notes	31 December 2021	31 December 2020
<b>ASSETS</b>			
Cash at bank	6, 11	7,206,660	2,527,886
Investments carried at fair value through profit or loss (FVTPL)	7	77,136,876	73,117,005
Investments carried at amortized cost	8	146,605,972	121,646,745
Investments carried at amortized cost – Sukuk	10	-	14,035,233
<b>Total assets</b>		<b>230,949,508</b>	211,326,869
<b>LIABILITIES</b>			
Accrued management fee	11	167,315	192,617
Other accrued expenses		358,161	256,675
Redemption payable		-	2,000,000
<b>Total liabilities</b>		<b>525,476</b>	2,449,292
<b>Net assets (Equity) attributable to the unitholders</b>		<b>230,424,032</b>	208,877,577
<b>Units in issue (in numbers)</b>	9	<b>20,104,516</b>	18,637,867
<b>Net asset value per unit</b>		<b>11.46</b>	11.21

The accompanying notes 1 to 17 form an integral part of these financial statements

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

	Note	31 December 2021	31 December 2020
<b>Income</b>			
Murabaha income	8	2,361,347	4,930,897
Sukuk income	10	271,378	492,296
Realized and unrealized gain on FVTPL investments			
- Realized gain on disposal of FVTPL investments		704,443	1,226,414
- Unrealized gain on FVTPL investments	7	2,848,504	1,849,668
Dividend income		-	92,605
		<b>6,185,672</b>	<b>8,591,880</b>
<b>Expenses</b>			
Management fees	11	(675,593)	(945,734)
Other expenses	11	(473,553)	(565,687)
		<b>1,149,146</b>	<b>(1,511,421)</b>
<b>Net income for the year</b>		<b>5,036,526</b>	<b>7,080,459</b>
Other comprehensive income			
<b>Total comprehensive income for the year</b>		<b>5,036,526</b>	<b>7,080,459</b>

The accompanying notes 1 to 17 form an integral part of these financial statements

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

**STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Balance at the beginning of the year</b>	<b>208,877,577</b>	306,121,562
Total comprehensive income for the year	<b>5,036,526</b>	7,080,459
<b>Changes from unit transactions</b>		
Proceeds from issuance of units	<b>158,829,278</b>	138,686,255
Payment towards units redeemed	<b>(142,319,349)</b>	(243,010,699)
Net change from unit transactions	<b>16,509,929</b>	(104,324,444)
<b>Net assets (Equity) attributable to the unitholders at the end of the year</b>	<b>230,424,032</b>	208,877,577

The accompanying notes 1 to 17 form an integral part of these financial statements



**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**  
**(Open-ended fund)**  
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**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2021**  
**(Amounts in Saudi Riyals)**

	Note	31 December 2021	31 December 2020
<b>Cash flows from operating activities:</b>			
Net income for the year		5,036,526	7,080,459
Adjustments for:			
- Unrealized gain on FVTPL investments	7	(2,848,504)	(1,849,668)
		<b>2,188,022</b>	5,230,791
<b>Net changes in operating assets and liabilities:</b>			
Investments carried at FVTPL		(1,171,367)	42,874,657
Investments carried at amortized cost		(8,286,735)	2,378,781
Investments carried at amortized cost – Sukuk		14,035,233	20,791
Accrued management fee		(25,302)	35,441
Accrued expenses		101,486	121,375
Redemption payable		(2,000,000)	
<b>Net cash generated from operating activities</b>		<b>6,841,337</b>	50,661,836
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of units		158,829,278	138,686,255
Redemptions of the units *		(144,319,349)	(241,010,699)
<b>Net cash generated from / (used in) financing activities</b>		<b>14,509,929</b>	(102,324,444)
<b>Net change in cash and cash equivalents:</b>			
Cash and cash equivalents at beginning of the year	6	12,937,136	(51,662,608)
<b>Cash and cash equivalents at end of the year</b>	6	<b>34,288,402</b>	12,937,136
<b>Supplementary Information:</b>			
* Redemption payable		-	2,000,000

The accompanying notes 1 to 17 form an integral part of these financial statements

# **SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**

**(Open-ended fund)**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

### **1. THE FUND AND ITS ACTIVITIES**

The SICO Capital Money Market Fund (Formerly known as Muscat Capital Money Market Fund) (the "Fund") is an open-ended mutual fund established and managed through an agreement between SICO Capital Company (Previously known as Muscat Capital) - a Saudi Closed Joint Stock Company (the "Fund Manager"), a subsidiary owned 72.71% by SICO BSC (c) (a bank registered in Bahrain) and 27.29% by Bank Muscat (SAOG) incorporated in the Sultanate of Oman, and the Fund Investors (the "Unit holders"). On 14 March 2021, SICO BSC (c) (a bank registered in Bahrain) ("SICO") acquired 72.71% of Muscat Capital Company equity from the Bank Muscat SOAG after obtaining the necessary regulatory approvals. Following the issuance of revised commercial registration dated 15 July 2021, the Company's name has been changed from Muscat Capital Company to SICO Capital Company. Furthermore, the new Board of Directors appointed by the shareholders of the Company in the extra-ordinary general meeting held on 14 March 2021 are also approved by CMA on 30 June 2021. On 14 November 2021, the Fund Manager has decided to change the name of the Fund from Muscat Capital GCC Dividend Growth Fund to SICO Capital GCC Dividend Growth Fund. The new terms and conditions of the Fund has been issued on 02 December 2021 mentioning the updated name. The announcement is made on Tadawul on 06 December 2021.

The Fund commenced its operations on 25 Sha'ban 1437H (corresponding to June 01, 2016).

In dealing with the unit holders, the Fund Manager considers the Fund as an independent unit. Accordingly, the Fund Manager prepares separate financial statements for the Fund. Furthermore, unit holders are considered to be owners of the assets of the Fund.

The principal investment objective of the Fund is to invest in Sharia-compliant money market funds, placements and other money market instruments in order to maximize medium-term capital growth while preserving the invested capital by investing in Saudi Riyal, US dollar and GCC currencies.

Units were offered at a price of SAR 10 per unit, with a minimum initial subscription amount to SAR 10,000.

The following are the basis of fees, charges and other expenses:

#### ***Management fees***

Payable to the SICO Capital "Fund Manager" equal to 0.3% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis. Management fee is payable on quarterly basis.

#### ***Custodian fees***

Payable by the Fund to the Riyadh Capital Company 'the Custodian', a CMA-licensed Company under license No. 37-07070 equal to 0.05% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis and payable on a quarterly basis.

#### ***Administrative fees***

Payable by the Fund to SICO Capital equal to 0.05% of the Fund's Net Asset Value ("NAV"), which is calculated on a daily basis and payable on a quarterly basis.

#### ***Dealing charges***

The Fund shall bear all dealing fees, charges and brokerage commissions incurred for buying and selling of securities.

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**1. THE FUND AND ITS ACTIVITIES (CONTINUED)**

**Other expenses**

The Fund shall be responsible for its other administrative, professional, regulatory and operating expenses which include, but not limited to, Auditors, Sharia Committee, Board Members and annual report fees, subject to a cap of SAR 200,000 per annum. This cap does not include the management, custodian, dealing charges, administrative and any other leverage related fees.

**2. REGULATING AUTHORITY**

The Fund is governed by the Investment Fund Regulations (the “Regulations”) issued by Capital Market Authority (CMA) 3 Dhul Hijja 1427H (corresponding to 24 December 2006) which was amended on 16 Shaban 1437 (corresponding to 23 May 2016) detailing requirements for all funds within the Kingdom of Saudi Arabia. The amended regulation came into effect from 6 Safar 1438 H (corresponding to 6 November 2016).

**3. SUBSCRIPTION / REDEMPTION**

The Fund is open for dealing before 12:00 pm on Sunday to Thursday (each day a “Dealing Day”). The net asset value (equity) of the Fund’s portfolio is determined on each working day’s closing prices (each “Valuation Day”). The unit price is calculated by subtracting the liabilities from the total assets value, then dividing the result (NAV) by the number of units outstanding on a valuation day.

**4. BASIS OF PREPARATION**

**4.1 Statement of compliance**

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

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of liquidity.

**4.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss (FVTPL).

**4.3 Significant accounting estimates and judgements**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Fund’s accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

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**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**4. BASIS OF PREPARATION (CONTINUED)**

**4.3 Significant accounting estimates and judgements (continued)**

**4.3.1 Going concern**

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

**4.3.2 Expected credit loss**

In the preparation of the financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

**4.4 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

**4.4.1 Transactions and balances**

Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**  
**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1 New standards, interpretations and amendments**

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2020. There are new standards, amendments and interpretations apply for the first time in 2021, but do not have an impact on the financial statements of the Fund.

There are several other amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

**5.1.1 New standards, amendments to standards and interpretations**

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Fund's Financial Statements, except for where referenced below.

**New amendments to standards issued and applied effective January 1, 2021**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

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**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.1 New standards, interpretations and amendments (continued)**

**5.1.2 New standards, amendments and revised IFRS issued but not yet effective**

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.1 New standards, interpretations and amendments (continued)**

**5.1.2 New standards, amendments and revised IFRS issued but not yet effective (continued)**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Fund's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2 Cash and cash equivalents**

Cash and cash equivalents of the Fund comprise balances held with a bank and placements with original maturity of 3 months or less, if any. Cash and cash equivalents are carried at amortized cost in the statement of assets and liabilities.

**5.3 Financial instruments**

**5.3.1 Measurement methods**

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, as described in Note 4.3.2, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

**5.3.2 Classification and measurement of financial assets**

**Classification of financial assets**

On initial recognition, a financial asset is classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

Financial asset at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial asset at fair value through other comprehensive income (“FVOCI”)

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund Manager may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.



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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3 Financial Instruments (continued)**

**5.3.2 Classification and measurement of financial assets (continued)**

Financial asset at fair value through profit or loss (“FVTPL”)

All financial assets not classified as measured at amortized cost or FVOCI are measure at FVTPL.

The Fund classifies its financial assets either as subsequently measured at amortized cost or measured at fair value through profit or loss.

The Fund classifies its financial assets at amortized cost. The classification requirements for debt instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability form the issuer’s perspective, such as Murabaha contracts and Sukuks.

Classification and subsequent measurement of debt instruments depend on:

- The Fund’s business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

**Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 4.3.2. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

**Fair value through other comprehensive income (FVOCI):** If debt instrument’s is held within a business model whose objective is achieved by collecting SPPP and to selling financial assets then it is measured at FVOCI. A gain or loss on a debt investment measured at FVOCI is recognized in the other comprehensive income in the period in which it arises. Profit earned from these financial assets is recognized in the other comprehensive income using the effective profit rate method.

**Fair value through profit or loss (FVTPL):** If debt instrument’s cash flows do not represent solely SPPP or if it not held within the held to collect or the held to collect and sell business model, or then it is measured at FVTPL. A gain or loss on a debt investment measured at FVTPL is recognized in the statement of comprehensive income, within “Net gain / (loss) in investments mandatorily measured at FVTPL”, in the period in which it arises. A gain or loss from debt instruments that were designated at fair value or which are not held for trading are presented separately from debt investments that are mandatorily measured at fair value through profit or loss, within “Net gain / (loss) in investments designated at FVTPL”. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective profit rate method.

# SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)

(Open-ended fund)

MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)

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## NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in Saudi Riyals)

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 5.3 *Financial instruments (continued)*

##### 5.3.2 *Classification and measurement of financial assets (continued)*

###### *Debt instruments (continued)*

**Business model:** The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVTPL.

**SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPI" test). In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

###### *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Fund classifies its financial assets at fair value through profit or loss (FVTPL). The Fund subsequently measures all equity investments at fair value through profit or loss, except where the Fund Manager has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to the statement of comprehensive income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in the statement of comprehensive income when the Fund's right to receive payments is established.

##### 5.3.3 *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**  
**(Open-ended fund)**

**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3 *Financial instruments (continued)***

**5.3.3 *Derecognition (continued)***

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognize a financial liability when the obligation under the liability is discharged, cancelled or expired.

**5.3.4 *Impairment of financial assets***

The Fund recognizes loss allowances for ECLs on financial assets measured at amortized cost and debt investments measured at FVOCI.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e., the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

***Significant increase in credit risk***

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. One of the key quantitative indicators used by the Fund is the relative downgrade of the internal rating of the borrower and thereby the consequent change in the PD.

**5.3.5 *Financial liabilities***

The Fund classifies its financial liabilities at amortized cost unless it has designated liabilities at FVTPL.

**5.3.5.1 *Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

**5.3.6. *Trade date accounting***

Regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e., the date that the fund commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the marketplace.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3 Financial instruments (continued)**

**5.3.7. Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

**5.4 Receivables**

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

**5.5 Redeemable Units**

Redeemable units are classified as equity instruments when:

- The redeemable units entitle the holder to a pro rata share of the Fund's net assets (equity) in the event of the Fund's liquidation
- The redeemable units are in the class of instruments that is subordinate to all other classes of instruments
- All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features
- The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets (equity).
- The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

In addition to the redeemable units having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund
- The effect of substantially restricting or fixing the residual return to the redeemable shareholders

The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognized in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions.

- No gain or loss is recognized in the statement of comprehensive income on the purchase, issuance or cancellation of the Fund's own equity instruments.

**5.6 Accrued expenses**

Accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective profit rate method.

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.7 Provisions**

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating loss.

**5.8 Taxation/zakat**

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

**5.9 Net gain or loss on financial assets and liabilities at Fair Value through Profit or Loss (“FVTPL”)**

Net gains or losses on financial assets and liabilities at FVTPL are changes in the fair value of financial assets held for trading or designated upon initial recognition as at FVTPL and exclude interest and dividend income and expenses.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior period’s unrealized gains and losses for financial instruments which were realized in the reporting period. Realized gains and losses on disposals of financial instruments classified as at FVTPL are calculated using the weighted average cost method. They represent the difference between an instrument’s initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

**5.10 Dividend income**

Dividend income, if any is recognized in the statement of comprehensive income on the date on which the right to receive the payment for dividend is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities designated as at FVTPL, is recognized in the statement of comprehensive income in a separate line item

**5.11 Murabaha and Sukuk income**

Murabaha placements and Sukuk income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, taxes and rebates.

Profit on Murabaha and Sukuk is recognized on time-proportion basis over the period of the contract based on the principle amounts outstanding and agreed rate of profit.

**5.12 Transaction costs**

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in statement of comprehensive income or loss as an expense.

**5.13 Net assets value**

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

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**6. CASH AND CASH EQUIVALENT**

	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Balances with financial institutions	6.1, 11	<b>7,206,660</b>	2,527,886
Murabaha placements with original maturity of three months or less	8	<b>27,081,742</b>	10,409,250
<b>Total</b>		<b>34,288,402</b>	12,937,136

**6.1** Cash balances are held in current accounts and investment account with Bank Muscat – a Saudi Arabian Branch of the Bank and with Riyadh Capital respectively. The Fund does not earn profit on these accounts.

**7. INVESTMENTS CARRIED AT FVTPL**

	<b>31 December 2021</b>		<b>31 December 2020</b>	
	<b>Cost</b>	<b>Market value</b>	<b>Cost</b>	<b>Market value</b>
Mutual Funds	<b>74,288,372</b>	<b>77,136,876</b>	71,267,337	73,117,005

These includes investment in SICO Capital Khairat Fund amounting to SR. 9.32 million managed by the Fund Manager within the Kingdom of Saudi Arabia.

<b>31 December 2021</b>	<b>Cost</b>	<b>Market value</b>	<b>% of market value</b>
<i>Mutual funds</i>			
Murabaha Funds	<b>74,288,372</b>	<b>77,136,876</b>	<b>100%</b>
<b>Total</b>	<b>74,288,372</b>	<b>77,136,876</b>	<b>100%</b>
31 December 2020	<b>Cost</b>	<b>Market value</b>	<b>% of market value</b>
<i>Mutual funds</i>			
Murabaha Funds	71,267,337	73,117,005	100%
<b>Total</b>	71,267,337	73,117,005	100%

**8. INVESTMENTS CARRIED AT AMORTIZED COST**

The following table provides the details of the Islamic financing portfolio at the end of reporting dates in the banks of the following countries:

	<b>31 December 2021</b>	<b>31 December 2020</b>
United Arab Emirates (UAE)	-	45,298,035
Sultanate of Oman	<b>8,034,000</b>	38,315,707
Kingdom of Bahrain	<b>138,571,972</b>	38,033,003
<b>Total</b>	<b>146,605,972</b>	121,646,745

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**8. INVESTMENTS CARRIED AT AMORTIZED COST (CONTINUED)**

**8.1** The following table represents the movement of investments in Murabaha contracts measured at amortized cost during the year:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Carrying amount as at the beginning of year</b>	<b>121,646,745</b>	158,640,998
Additions during the year	<b>410,971,339</b>	548,769,050
Matured during the year	<b>(385,760,954)</b>	(586,357,501)
Murabaha income recognized in the statement of comprehensive income	<b>2,361,347</b>	4,930,897
Murabaha income received during the year	<b>(2,612,505)</b>	(4,336,699)
<b>Carrying amount as at the end of year</b>	<b>146,605,972</b>	121,646,745

**8.2** Includes Murabaha placements with original maturity of 3 months or less amounting to SR 27.08 million (2020: SR 10.4 million) (See Note 6).

**8.3** The Commodity Murabaha placements are based on commodities such as aluminum, platinum, palladium and crude palm oil and all the Murabaha placements will be matured within a period of less than 12 months.

**8.4** The rate of profit on Murabaha placements ranges from 0.15% to 4.25% per annum.

**8.5** The Fund Manager has performed an ECL assessment for the financial assets carried at amortized cost. An allowance for impairment over these financial assets was not recognized in the financial statement as the amount was not material.

**9. UNIT TRANSACTIONS**

Transactions in units for the year are summarized as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Units as at beginning of the year</b>	<b>18,637,867</b>	27,944,460
Units issued	<b>14,029,150</b>	12,609,703
Units redeemed	<b>(12,562,501)</b>	(21,916,296)
Net changes in units	<b>1,466,649</b>	(9,306,593)
<b>Units as at end of the year</b>	<b>20,104,516</b>	18,637,867

**9.1** This includes 2,884,544 (31 December 2020: 856,168.13) number of units held by the funds managed by the Fund manager.

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**10. INVESTMENTS CARRIED AT AMORTIZED COST - SUKUK**

The following table represents the movement of investments in Sukuk measured at amortized cost during the year:

	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Carrying amount at the beginning of the year</b>	<b>14,035,233</b>	14,056,024
Additions during the year	-	-
Matured during the year	<b>(14,000,000)</b>	-
Sukuk profit recognized in the statement of comprehensive income	<b>271,378</b>	492,296
Sukuk profit received during the year	<b>(306,611)</b>	(513,087)
<b>Carrying amount at the end of the year</b>	<b>-</b>	<b>14,035,233</b>

**10.1** The investment in Sukuk represents the Sukuk issued by a prominent Saudi Bank rated baa2. On The Sukuk bears commission, payable on a quarterly basis and priced at 3-month SIBOR plus 200 basis point. On 30 August 2021, the bank decided to liquidate the Sukuk, the Fund has recognized the income from the Sukuk till 30 August 2021.

**11. RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

**11.1 Transactions with related parties**

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

<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>2021</b>	<b>2020</b>
SICO Capital Company	Fund manager	- Management fee (See Note 1)	<b>675,593</b>	945,734
		- Administration fee (See Note 1)	<b>112,600</b>	157,623
Riyad Capital	Affiliate	- Custodian fee (See Note 1)	<b>135,119</b>	163,053
Mutual Fund managed by SICO Capital	Affiliate	- Subscription in the units	<b>45,652,340</b>	12,400,000
		- Redemption in units	<b>22,559,904</b>	28,874,555
Board members		- Board meeting fee	<b>20,000</b>	20,000



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**11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**11.1 Transactions with related parties (CONTINUED)**

**11.2 Balances with related parties**

<b>Related Party</b>	<b>Nature of relationship</b>	<b>Nature of transaction</b>	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Bank Muscat - Saudi Arabian Branch (Branch of Bank Muscat – SAOG)	Shareholder of Fund Manager	- Balance with bank	6	<b>7,165,940</b>	2,000,000
Mutual Funds managed by SICO capital SICO Capital	Affiliate	- Units held by other funds– market value		<b>33,060,627</b>	9,595,248
	Fund manager	- Accrued management fee		<b>167,315</b>	192,617
		- Administration Fee *		<b>27,886</b>	31,710
Riyad Capital	Affiliate	- Balance with financial institutions	6	<b>40,720</b>	527,886
		- Custodian fee *		<b>125,361</b>	57,525

\* These balances have been recorded under other accrued expenses.

**12. FINANCIAL INSTRUMENTS BY CATEGORY**

**31 December 2021**

**Assets as per statement of financial position**

	<b>FVTPL</b>	<b>Amortized cost</b>
Cash at bank	-	<b>7,206,660</b>
Investments carried at FVTPL	<b>77,136,876</b>	-
Investments carried at amortized cost - Murabaha		<b>146,605,972</b>
<b>Total</b>	<b>77,136,876</b>	<b>153,812,632</b>

**31 December 2020**

**Assets as per statement of financial position**

	<b>FVTPL</b>	<b>Amortized cost</b>
Cash at bank	-	2,527,886
Investments carried at FVTPL	73,117,005	-
Investments carried at amortized cost - Murabaha		121,646,745
Investments carried at amortized cost - Sukuk		14,035,233
<b>Total</b>	<b>73,117,005</b>	<b>138,209,864</b>

All financial liabilities as at 31 December 2021 and 31 December 2020 were classified as financial liabilities measured at amortized cost category.

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**13. FINANCIAL RISK MANAGEMENT**

**13.1 Financial risk factors**

The objective of the Funds is to continue to provide optimum returns to its unitholders. The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risk is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The financial instruments of the Fund are denominated in Saudi Riyals and hence, the Fund is not exposed to foreign exchange risk.

*(ii) Commission rate risk*

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is exposed to commission rate risk as the financial instrument is priced at variable rate.

		<u>31 December 2021</u>	<u>31 December 2020</u>
Sukuk	±5%	-	701,762

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**13. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market risk (continued)**

*(iii) Price risk*

Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The Fund has exposure to equity instruments' price risk as the Fund holds such investments.

The table below summarizes the impact on the Fund's net assets (equity), of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through its investment in funds at year end. A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 6-month period, in SAR. The impact on net assets (equity) attributable to holders of redeemable shares is calculated by applying the reasonably possible movement determined for each strategy to the value of each Investee Fund held by the Fund.

	31 December 2021		31 December 2020	
	Reasonable possible change %	Impact on net assets (equity)	Reasonable possible change %	Impact on net assets (equity)
Murabaha Funds	+/- 1%	+/- 771,369	+/- 1%	+/- 731,170

**(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its investment portfolio and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Fund is exposed to credit risk for its cash and cash equivalents, investments carried at amortized cost, other assets. Bank balances are placed with reputable financial institutions; hence the credit risk is minimal. For other assets, credit risk is also low.

***Expected credit loss measurement***

The Fund does not have a formal internal grading mechanism. Credit risks are generally managed on the basis of external credit ratings of counterparties.

Under the general approach of IFRS 9 impairment, the financial assets are classified into three stages. Each stage indicates the credit quality of the particular financial asset.

**Stage 1:** includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and profit is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat Capital Money Market Fund)**  
**(Open-ended fund)**  
**MANAGED BY SICO CAPITAL (Previously known as Muscat Capital)**

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**NOTES TO THE FINANCIAL STATEMENTS**

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**(Amounts in Saudi Riyals)**

**13. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**13.1 Financial risk factors (continued)**

**(b) Credit risk (continued)**

*Expected credit loss measurement (continued)*

**Stage 2:** includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but profit is still calculated on the gross carrying amount of the asset.

**Stage 3:** includes financial instruments that have objective evidence of impairment at the reporting date. This stage has obligors that already are impaired (defaulted).

One of the key components of IFRS 9 ECL is to determine whether there have been significant increases in credit risk (SICR) of an entity's credit exposures since initial recognition. The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL.

*Definition of 'Default'*

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Fund. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Fund considers indicators that are:

- qualitative- e.g., breaches of covenant;
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Fund; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Fund for regulatory capital purposes. conditions. To derive PiT PDs, the Fund will annually source macro-economic forecast data for selected variables from appropriate sources.

*Probability of Default (PD)*

Through the yearly review of investments in debt instruments, the Fund shall draw a yearly transition matrix to compute account-based PD over the one-year horizon for the past 5 years. These PDs will be grouped as per credit ratings. This rating migration shall capture the movement of obligors into default at yearly intervals. An average default rate of the 5 yearly transition matrices provides the through the cycle PDs. IFRS 9 requires the use of a PD that is a 'point-in-time' (PiT PD) estimate reflecting current forecasts of future economic conditions. To derive PiT PDs, the Fund will annually source macro-economic forecast data for selected variables from appropriate sources.

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**13. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**13.1 Financial risk factors (continued)**

**(b) Credit risk (continued)**

***Loss Given Default (LGD)***

Loss given default is defined as the forecasted economic loss in case of default. LGD computation will be based on the Fund's losses on defaulted accounts after the consideration of recovery percentages. IFRS 9 also requires that LGD be estimated in collaboration with the forward-looking valuation of collaterals based on macro-economic factors. LGD computation is independent of the assessment of credit quality and thus applied uniformly across all stages.

For LGD estimation on its non-collateralized portfolio, the Fund shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 5 years prior to the assessment date. Exposure at Default (EAD)

Exposure at default is an estimation of the extent that the Fund may be exposed to an obligor in the event of default. The estimation of EAD should consider any expected changes in the exposure after the assessment date. This is of importance in the case of Stage 2 assets where the point of default may be several years in the future.

***Discount rate***

The Fund will compute effective profit rate at a contractual level. If the computation of the effective profit rate (at reporting date) is not feasible, the Fund will use the contractual profit (at reporting date) for discounting purposes.

The Fund Manager has performed an ECL assessment for the financial assets carried at amortised cost. An allowance for impairment over these financial assets was not recognized in these financial statements as the amount was not material.

***Credit ratings***

The credit quality of the Fund's bank balance is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances along with credit ratings are tabulated below:

<b>Rating of Financial Institution</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Cash at bank</b>		
Ba2	7,165,940	2,000,000
<b>Cash with custodian</b>		
Unrated	40,720	527,886
<b>Murabaha placements</b>		
Unrated	124,850,119	38,033,002
B	21,755,853	
B+	-	38,315,707
A+	-	25,131,786
BBB+	-	20,166,250
	<b>146,605,972</b>	<b>121,646,745</b>
<b>SUKUK</b>		
baa2	-	14,035,233

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**13. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**13.1 Financial risk factors (continued)**

**(b) Credit risk (continued)**

*Credit ratings (continued)*

The following table shows maximum exposure to credit risk for the components of the statement of financial position.

	<b>Note</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash at bank		<b>7,206,660</b>	2,527,886
Murabaha placements		<b>146,605,972</b>	121,646,745
Sukuk		-	14,035,233

The management has conducted a review as required under IFRS 9 and based on an assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash at bank and murabaha placements.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund's terms and conditions provide for subscription and redemption of units on every Valuation Day and it is, therefore, exposed to the liquidity risk of meeting redemptions at any time. The Fund's securities are considered to be readily realizable, and they can be liquidated at any time. However, the Fund Manager has established certain liquidity guidelines for the Fund and monitors liquidity requirements on a regular basis to ensure sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by obtaining financing from the related parties of the Fund.

The remaining contractual maturities at the reporting date of the Fund's financial liabilities consisting of accrued management fee, other accrued expenses and redemption payable will be matured within next 12 months:

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

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

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**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**13. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**13.2 Fair value estimation**

The fair value for financial instruments traded in active markets is based on quoted market prices at the close of trading on the financial reporting date. Instruments for which no sales were reported on the valuation day are valued at the most recent bid price.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The carrying value less impairment provision, if any, of financial instrument carried at amortized cost are assumed to approximate their fair values.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equity instruments. The Fund does not adjust the quoted price for these instruments.

As of December 31, 2021, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, Murabaha placements, accrued management fee and other accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 2 hierarchy of fair value. To determine the fair value of such investments, management used NAV of the funds. There were no transfers among the level 1, 2 and 3 during the year ended December 31, 2021.

**14. EVENTS AFTER THE END OF THE REPORTING PERIOD**

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements

**15. CHANGES IN FUND'S TERMS AND CONDITIONS**

The Fund and Conditions were updated on 02 December 2021 in which the new name of the Fund from "Muscat Capital Money Market Fund" to "SICO Capital Money Market Fund" and the new name of Fund manager from "Muscat Capital Company" to "SICO Capital Company" is updated. Furthermore, there is a change in the board of directors of the Fund. In addition to it, there is no significant changes in the Terms and Conditions of the Fund.

**16. LAST VALUATION DAY**

In accordance with the Terms and Conditions of the Fund, the last valuation day of the year was 30 December 2021 (2020: 31 December 2020). There is no material change in the net assets (equity) attributable to each unit of the Fund between last valuation day and its financial year end i.e., 31 December 2021.

**SICO CAPITAL MONEY MARKET FUND (Previously known as Muscat  
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**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2021**

**(Amounts in Saudi Riyals)**

**17. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board on 23 March 2022 (Corresponding to 20 Shaban, 1443H).

**Signed on behalf of Board of Directors**

**Authorized Signatory**