MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

(Open-Ended Fund)

(MANAGED BY MUSCAT CAPITAL)

FINANCIAL STATEMENTS FOR THE PERIOD FROM 21 APRIL 2019 (DATE OF COMMENCEMENT) TO 31 DECEMBER 2019 TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

FINANCIAL STATEMENTS
For the period from 21 April 2019 (Date of commencement) to 31 December 2019

AUDITOR'S REPORT

TO THE UNITHOLDERS OF
GCC DIVIDEND GROWTH FUND
RIYADH, KINGDOM OF SAUDI ARABIA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of GCC Dividend Growth Fund ("the Fund") being managed by Muscat Capital (the "Fund Manager"), which comprise of the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in net assets (equity) attributable to the unitholders and statement of cash flows for the period from 21 April 2019 to 31 December 2019 and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements taken as a whole present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, and its financial performance and its cash flows for the period from 21 April 2019 to 31 December 2019 in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for 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 Auditor's 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 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA 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, 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 are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S REPORT

TO THE UNITHOLDERS OF
GCC DIVIDEND GROWTH FUND
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 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 ISAs 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 the 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 auditor's 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 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.

AUDITOR'S REPORT

TO THE UNITHOLDERS OF
GCC DIVIDEND GROWTH FUND
RIYADH, KINGDOM OF SAUDI ARABIA

For and on behalf of
Al-Bassam & Co.
Riyadh, Kingdom of Saudi Arabia

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

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

04 May 2020G
Ramadan 11, 1441H

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Amounts in Saudi Riyals)

	Notes	31 December 2019
ASSETS		
Cash and cash equivalents	6,9	**2,650,751**
Investments carried at fair value through profit or loss (FVTPL)	7	**50,430,102**
Total assets		**53,080,853**
LIABILITIES		
Accrued management fee	9	**202,039**
Other accrued expenses		**27,805**
Total liabilities		**229,844**
Net assets (equity) attributable to the unitholders		**52,851,009**
Units in issue (in numbers)	8	**5,286,574**
Net asset value per unit		**10.00**

The accompanying notes 1 to 16 form an integral part of these financial statements

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME
For the period from 21 April 2019 (Date of commencement) to 31 December 2019
(Amounts in Saudi Riyals)

	Notes	For the period from 21 April (Date of commencement) to 31 December 2019
Income		
Dividend income		**805,816**
Realized and unrealized gain or (loss) on FVTPL investments		
- Realized loss on disposal of FVTPL investments		**(2,929,560)**
- Unrealized gain on FVTPL investments	7	**2,779,135**
Foreign currency exchange loss		**(33,576)**
		621,815
Expenses		
Management fees	9	**555,133**
Other expenses	9	**195,292**
		750,425
Net loss for the period		**(128,610)**
Other comprehensive income		**-**
Total comprehensive loss for the period		**(128,610)**

The accompanying notes 1 to 16 form an integral part of these financial statements

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
For the period from 21 April 2019 (Date of commencement) to 31 December 2019
(Amounts in Saudi Riyals)

	For the period from 21 April (Date of commencement) to 31 December 2019
Balance at the beginning of the period	**-**
Total comprehensive loss for the period	**(128,610)**
Changes from unit transactions	
Proceeds from issuance of units	**60,210,081**
Payment towards units redeemed	**(7,230,462)**
Net change from unit transactions	**52,979,619**
Net assets (equity) attributable to the unitholders at the end of the period	**52,851,009**

The accompanying notes 1 to 16 form an integral part of these financial statements

MUSCAT CAPITAL GCC DIVIDEND GROWTH FUND

STATEMENT OF CASH FLOWS
For the period from 21 April 2019 (Date of commencement) to 31 December 2019
(Amounts in Saudi Riyals)

	Notes	For the period from 21 April (Date of commencement) to 31 December 2019
Cash flows from operating activities:		
Net loss for the period		**(128,610)**
Adjustments for:		
- Unrealized gain on FVTPL investments		**(2,779,135)**
		(2,907,745)
Net changes in operating assets and liabilities:		
Investments carried at FVTPL		**(47,650,967)**
Accrued management fee		**202,039**
Other accrued expenses		**27,805**
Net cash used in operating activities		**(50,328,868)**
Cash flows from financing activities:		
Proceeds from issuance of units		**60,210,081**
Redemptions of the units		**(7,230,462)**
Net cash generated from financing activities		**52,979,619**
Net change in cash and cash equivalents:		**2,650,751**
Cash and cash equivalents at beginning of the period		**-**
Cash and cash equivalents at end of the period	6	**2,650,751**

The accompanying notes 1 to 16 form an integral part of these financial statements

1. THE FUND AND ITS ACTIVITIES

The Muscat Capital GCC Dividend Growth Fund (the "Fund") is an open-ended mutual fund established and managed through an agreement between Muscat Capital Company - a Saudi Closed Joint Stock Company (the "Fund Manager"), a wholly owned subsidiary of Bank Muscat (SAOG) incorporated in the Sultanate of Oman, and the Fund Investors (the "Unit holders").

The Fund commenced its operations on 16 Sha'ban 1440H (corresponding to 21 April, 2019).

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 issued and traded in GCC capital markets 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 1,000.

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

Management fees

Payable to the Muscat Capital "Fund Manager" equal to 1.5% 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 Riyal Capital Company 'the Custodian', a CMA-licensed Company under license No. 37-07070, at a minimum rate of 0.06% and maximum rate of 0.20% and average rate of 0.13% per annum at Fund's net asset value according to the market in which the securities are held. The fee is calculated daily and paid at the end of each calendar month with a minimum of SR1,250 per month.

Administrative fees

Payable by the Fund to the Fund Manager equal to 0.06% 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.

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.

3. SUBSCRIPTION/ REDEMPTION

The Fund is open for dealing before 12:00 pm on Monday and Wednesday (each day a "Dealing Day"). The net asset value 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 that are endorsed by the Saudi Organisation of Certified Public Accountants ("SOCPA").

Assets and liabilities in the statement of financial position are presented in the 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.

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:

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

The measurement of the expected credit loss allowance for financial assets carried at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

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. BASIS OF PREPARATION (Continued)

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 Foreign currency 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 assets and liabilities date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

5.1 Cash and cash equivalents

Cash and cash equivalents consist of bank balances with the financial institutions. Cash and cash equivalents are carried at amortized cost within the statement of financial position.

5.2 Financial Instruments

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, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

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

Classification and measurement of financial assets

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability form the issuer's perspective,

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:

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and measurement of financial assets **(Continued)**

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. 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.

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 "SPPP" 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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and measurement of financial assets **(Continued)**

Equity instruments **(Continued)**

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 profit or loss, 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 profit or loss when the Fund's right to receive payments is established.

(a) Derecognition

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

(b) Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(c) Financial liabilities

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

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.

(d) Puttable financial instruments

A puttable financials instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- it entitles the holder a pro rata share of the Fund's net assets in the event of Fund's liquidation:
- it is in the class of instruments that is sub ordinate to all other classes of instruments:
- all financial instruments in the class of instruments that is sub ordinate to all other classes of instruments have identical features:
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as liability: and

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Puttable financial instruments (Continued)

- the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or change in fair value of the recognized net assets of the Fund over the life of the instrument

5.3 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.

5.4 Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

5.5 Provisions

A provision is recognised 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 recognised for future operating loss.

5.6 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

5.7 Income recognition

Revenue 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.

Dividend income is recognized when the Fund's right to receive dividends is established.

6 CASH AND CASH EQUIVALENTS

	Note	31 December 2019
Balances with financial institutions	9	2,650,751
Total		**2,650,751**

(Amounts in Saudi Riyals)

7 INVESTMENTS CARRIED AT FVTPL

	31 December 2019	
	Cost	**Market value**
Equity investments (Note 11.1a)	**47,650,967**	**50,430,102**

Industry sector	**31 December 2019**		
	Cost	**Market value**	**%**
Banks and financial services	**21,085,711**	**22,344,747**	**44%**
Retail	**7,000,132**	**7,106,922**	**14%**
Cement	**3,116,892**	**3,399,281**	**7%**
Transport	**1,959,651**	**2,189,927**	**4%**
Real estate	**1,720,650**	**2,035,347**	**4%**
Telecom and IT	**2,218,551**	**1,988,580**	**4%**
Foods	**1,453,770**	**1,899,326**	**4%**
Electricity	**1,603,597**	**1,827,746**	**3%**
Consumer services	**1,414,620**	**1,622,000**	**3%**
Petrochemicals	**1,686,231**	**1,543,947**	**3%**
Health care	**1,236,992**	**1,320,000**	**3%**
Insurance	**1,286,860**	**1,285,120**	**3%**
Agriculture and food industry	**1,135,868**	**1,061,487**	**2%**
Energy and utilities	**731,442**	**805,672**	**2%**
	47,650,967	**50,430,102**	**100%**

8 UNIT TRANSACTIONS

Transactions in units for the period are summarized as follows:

	31 December 2019
Units at the beginning of the period	**-**
Units issued	**6,051,939**
Units redeemed	**(765,365)**
Net changes in units	**5,286,574**
Units at the end of the period	**5,286,574**

9 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.

31 December 2019

Related party	**Nature of relationship**	**Nature of transaction**	**Transactions**	**Balances**
Muscat Capital Company	Fund manager	- Management fee	**555,133**	**(202,039)**
		- Administration fee	**22,205**	**(8,081)**
Riyad Capital	Affiliate	- Custodian fee	**50,127**	**(2,896)**
		- Balance with financial institution	**-**	**2,650,751**
Board members		- Board meeting fee	**20,000**	**(15,000)**

(Amounts in Saudi Riyals)

10 FINANCIAL INSTRUMENTS BY CATEGORY

31 December 2019	FVTPL	Amortized cost
Assets as per statement of financial position		
Cash and cash equivalents	-	2,650,751
Investment carried at FVTPL	50,430,102	-
Total	50,430,102	2,650,751

All financial liabilities as at 31 December 2019 are classified as financial liabilities measured at amortized cost category.

11 FINANCIAL RISK MANAGEMENT

11.1 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'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 risks 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.

Fund's financial assets carried at fair value through profit or loss were in the following currencies:

Currency	Country	31 December 2019	
		%	Fair value
SAR	Kingdom of Saudi Arabia	62%	31,067,220
AED	United Arab Emirates	21%	10,569,127
KWD	Kuwait	14%	6,966,009
OMR	Sultanate of Oman	3%	1,827,746
		100%	50,430,102

(Amounts in Saudi Riyals)

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

(a) Market risk (continued)

(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 does not have significant cash flow commission rate risk as it does not have any significant amount of variable rate financial instruments.

The Fund is not exposed to fair value commission rate risk as the financial instruments of the Fund are carried at amortized cost other than investment carried at fair value through profit and loss which does not have commission rate risk.

(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 price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund closely monitors the price movement of its listed financial instruments. The Fund manages this risk through diversification of its investment portfolio in terms of geographical distribution, as disclosed in the table in foreign exchange risk above and industry concentration as follows:

The effect on the net assets value (equity) (as a result of the change in the fair value of investments as at 31 December 2019) due to a reasonably possible change in equity indices based on the industry concentration, with all other variables held constants is as follows

	31 December 2019	
	Potential reasonable change %	Effect on NAV
Banks and financial services	**+/ - 1%**	**+/- 223,447**
Retail	**+/ - 1%**	**+/- 71,069**
Cement	**+/ - 1%**	**+/- 33,993**
Transport	**+/ - 1%**	**+/- 21,899**
Real estate	**+/ - 1%**	**+/- 20,353**
Telecom and IT	**+/ - 1%**	**+/- 19,886**
Foods	**+/ - 1%**	**+/- 18,993**
Electricity	**+/ - 1%**	**+/- 18,277**
Consumer services	**+/ - 1%**	**+/- 16,220**
Petrochemicals	**+/ - 1%**	**+/- 15,439**
Health care	**+/ - 1%**	**+/- 13,200**
Insurance	**+/ - 1%**	**+/- 12,851**
Agriculture and food industry	**+/ - 1%**	**+/- 10,615**
Energy and utilities	**+/ - 1%**	**+/- 8,057**

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

(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.

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 bank balances. Bank balances are placed with reputable financial institution with a credit rating of Ba1.

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

	Note	31 December 2019
Cash and cash equivalents	6	**2,650,751**

(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.

(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.

11.2 Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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.

As of December 31, 2019, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, 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 1 hierarchy of fair value.

12 EVENTS AFTER THE END OF THE REPORTING PERIOD

There has been no significant event after the statement of financial position date, which in the opinion of the management requires recognition or disclosure in the financial statements

13 SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Fund intends to adopt all the applicable standards and interpretations when these become effective. The Fund manager has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Fund.

14 CHANGES IN FUND'S TERMS AND CONDITIONS

There has been no change in the terms and conditions of the Fund during the period ended 31 December 2019.

15 LAST VALUATION DAY

In accordance with the Terms and Conditions of the Fund, the last valuation day of the period was 31 December 2019.

16 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 26 April 2020 (Corresponding to 3 Ramadan 1441H).

Signed on behalf of Board of Directors

Authorized Signatory