

Tharwat Saudi Equity Fund
(Managed by Tharwat for Financial Securities)

Interim financial statements (unaudited) and independent auditor's limited review report
For the six months period ended at June 30, 2022

Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

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Independent auditor' report on limited review of the interim financial statement

To the Unitholders of Tharwat Saudi Equity Fund

Introduction

We have reviewed the accompanying interim statement of financial position of Tharwat Saudi Equity Fund (the Fund), which is managed by Tharwat for financial securities (The Fund Manager) as at June 30, 2022 and the interim statements of profit or loss and other comprehensive income, interim statement of changes in net assets attributable to unitholders and interim statement of cash flows for the six - month period that ended on that date and the accompanying notes which are an integral part of these interim financial statements. The fund Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants Professional Services Company



Mohammed Bin Farhan Bin Nader
License No. 435

Riyadh, Kingdom of Saudi Arabia
11 Muharram 1444 (corresponding to 9 August 2022)



Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Interim Statement Of Financial Position (Unaudited)
As at June 30, 2022
(Saudi riyals)

	Note	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets			
Investments at fair value through profit or loss	6	1,111,498	886,227
Prepaid expenses		2,521	-
Cash at banks		855,069	988,112
Total assets		1,969,088	1,874,339
Liabilities			
Due to related party	7	14,676	14,454
Accrued Expenses and other liabilities		27,539	23,901
Total liabilities		42,215	38,355
Equity attributable to unitholders			
Net assets attributable to unitholders		1,926,873	1,835,984
Units issued (numbers)		205,370	205,370
Unit value		9.38	8.94

The accompanying notes (1) to (12) form an integral part of these interim financial statements

Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Interim statement of profit or loss and other comprehensive income (unaudited)
For the six - month period ended June 30, 2022
(Saudi riyals)

	<u>Note</u>	<u>For the six-month period ended 30 June</u>	
		<u>2022</u> <u>(unaudited)</u>	<u>2021</u> <u>(unaudited)</u>
<u>Income</u>			
Unrealized gains from investments at fair value through profit or loss	6	115,464	84,220
Dividend distributions		15,840	8,170
Gross income for the period		131,304	92,390
<u>Expenses</u>			
Management fees	7	(9,248)	(8,597)
Custodial fees	7	(9,918)	(9,918)
Other expenses		(21,249)	(38,886)
Total expenses for the period		(40,415)	(57,401)
Net profit of operations for the period		90,889	34,989
<u>Other comprehensive income</u>			
Total comprehensive loss for the period		90,889	34,989

The accompanying notes (1) to (12) form an integral part of these interim financial statements

Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Interim statement of changes in net assets attributable to unitholders (unaudited)
For the six - month period ended June 30, 2022
(Saudi riyals)

	For the six-month period ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Net assets value at the beginning of the period	<u>1,835,984</u>	<u>1,827,771</u>
Net profit of operations for the period	<u>90,889</u>	<u>34,989</u>
Net assets at the end of the period	<u>1,926,873</u>	<u>1,862,760</u>

Units transactions

Below is a summary of unit's transactions for the period:

	For the six-month period ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	Units	Units
Units at the beginning of the period	<u>205,370</u>	<u>205,370</u>
Net change in units during the period	<u>-</u>	<u>-</u>
Units at the end of the period	<u>205,370</u>	<u>205,370</u>

The accompanying notes (1) to (12) form an integral part of these interim financial statements

Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Interim statement of cash flows (unaudited)
For the six - Month period ended June 30, 2022
(Saudi riyals)

	For the six-month period ended 30	
	June	
	2022	2021
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net profit for the period	90,889	34,989
Adjustments to reconcile net income for the period to net cash used in operating activities		
Unrealized gains from investments at fair value through profit or loss	<u>(115,464)</u>	<u>(84,220)</u>
	(24,575)	(49,231)
The changes in operating assets and liabilities		
Investments at fair value through profit or loss	(109,807)	(291,445)
Prepaid expenses	(2,521)	(8,958)
Due to related party	222	(59)
Accrued expenses and other liabilities	3,638	(14,456)
Net cash used in operating activities	<u>(133,043)</u>	<u>(364,149)</u>
Net change in cash at banks	(133,043)	(364,149)
Cash at banks at the beginning of the period	<u>988,112</u>	<u>1,611,405</u>
Cash at banks at the end of the period	<u>855,069</u>	<u>1,247,256</u>

The accompanying notes (1) to (12) form an integral part of these interim financial statements

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

1 - The Fund and its Activities

Tharwat Saudi Equity Fund (previously, Tharwat IPO Fund) ("the Fund") is an open-ended fund. The objective of the Fund is to increase the capital by investing mainly in Saudi Companies' IPOs and Saudi companies that have been listed in the Saudi Stock Market for more than five years. The Fund is managed by Tharwat for Financial Securities company ("Fund manager").

The terms and conditions of the Funds was issued on 27 Muharam 1437H (corresponding to November 9, 2015). The fund manager made some amendments to the terms and conditions of the fund. The main change in terms and conditions relates to the appointment of Al Nefae Investment Company as a custodian.

The Fund was approved for IPO on 27 Muharam 1437H (corresponding to 9 November 2015) according to the approval of CMA. The Fund commenced its operations on 30 Rabi' I 1437H (corresponding to 10 January 2016).

On Jumada- Al- Awwal 6, 1442 AH (corresponding to December 21, 2020 M) the terms and conditions of the fund were updated and the name of the fund was changed from Tharwat IPO Fund to Tharwat Saudi Equity Fund, and the terms and conditions were approved on 26 Jumada- al akhirah 1442 AH (corresponding to February 8, 2021 M)

2 - Regulating Authority

The Fund is governed by Investment Funds Regulations (the "Regulations"), issued by Capital Market Authority (CMA) on 3 Dhul Hijjah 1427H (corresponding to 24 December 2006), and as of 6 Safar 1438H (corresponding to 6 November 2016) to the new Investment Funds Regulations ("the amended Regulations") issued by CMA on 16 Shaban 1437H (corresponding to May 23, 2016), detailing requirements for all types of real estate investment funds in the Kingdom of Saudi Arabia must follow.

The amended regulations became effective at 19 Ramadan 1442H (corresponding to May 1, 2021)

3 - Basis of preparation

Statement of compliance

The interim financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Auditors and Accountants.

The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of IAS 34. These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual audited financial statements of the Fund for the year ended 31 December 2021 ("last annual financial statements").

Basis of measurement

These financial statements are prepared in accordance with the historical cost principle, the accrual basis of accounting, and the going concern concept, another basis is used if the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Auditors and Accountants, as indicated in the significant accounting policies (note 5).

Presentation and functional currency

These interim financial statements are presented in Saudi Riyals which is the functional currency and are rounded to the nearest Saudi Riyal.

Accounting records

The Fund maintains regular accounting records by the computer and not in Arabic.

Use of judgments, estimates and assumptions

Preparing financial statements in accordance with international financial reporting standards endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Auditors and Accountants requires the use of some significant judgment, estimates and assumptions that affect the amounts of assets and liabilities presented and the disclosure of potential assets and liabilities at the date of preparing the financial reports and the recorded amounts of revenues and expenses during the period of financial reports. Judgments, estimates and assumptions and are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The fund makes judgments, estimates and assumptions regarding the future. The resulting accounting estimates may differ from actual results.

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

3 - Basis of preparation (continued)

Use of judgments, estimates and assumptions (continued)

Major area where estimates or judgements made are significant to the fund's financial statements or where judgements was exercised in the application of accounting policies are as follows:

Going Concern

The Fund's management made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future. In addition, the management is not aware of any material uncertainty that may cast doubt on the ability of the Fund to continue according to the going concern basis. Accordingly, the financial statements have been prepared on the going concern basis.

4 -New standards and amendments to standards, interpretations and issued standards that have not yet been applied

New standards, amendments to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in fund's annual Financial Statements, but they do not have a material effect on the fund's Interim Financial Statements. The fund did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

5 -Significant accounting policies

Below are significant accounting policies adopted:

Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash on hand and at banks unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

5 -Significant accounting policies (continued)

Investment at fair value through profit or loss

Investment at fair value through profit or loss are recognized at market value in the financial statements. Unrealized gains and losses from revaluation of investments, and realized gains and losses arising from disposal of investments are recognized in the statement of profit or loss.

Investment transactions

Investment transactions are recorded on the trading date.

Cash at banks

Cash at banks comprise bank balances, term deposits and highly-liquid investments with original maturity of three-months or less from the acquisition date.

Net assets value

Net assets value per unit, disclosed in the interim statement of financial position is calculated by dividing the net assets of the Fund by the numbers of units in issue at the reporting date.

Related parties

The related party is a person or entity related to the fund, and the person is related if he owns control or significant influence over the fund or is a member of the main management, and the entity is related if the entity is a member in same the group as a parent institute or a subsidiary or an associate institute or associated with a joint venture, or both entities are a joint venture of a third party.

Transaction with related parties transfer of resources, services, or obligations between the fund and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the fund, including the fund manager.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through statement of profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement profit or loss.

First: Financial assets

Financial assets at fair value are classified into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost. Classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Sales and purchases of financial assets are recognized in normal way on the basis of the transaction date. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or custom in the market.

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

5 - Significant accounting policies (continued)
Financial instruments (continued)

a) Financial assets measured at fair value through profit or loss

The Fund classifies its financial assets at initial recognition into the categories of financial assets discussed below.

In applying that classification, a financial asset is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near future or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets measured at fair value through the statement of profit or loss are stated at their fair value, and any gain or loss resulting from the revaluation is recognized in profit or loss. Net profit or loss includes any dividends or interest due from the financial asset and is included in the statement of profit or loss.

b) Financial assets measured at Fair value through other comprehensive income

Debt instruments that meet the following two conditions are measured subsequently at fair value through profit or loss:

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

Debt instruments measured at fair value through other comprehensive income are subsequently measured at fair value, together with gains and losses resulting from changes in the fair value recognized in other comprehensive income. Commission income and foreign exchange gains or losses are recognized in the statement of profit or loss.

c) Financial assets at amortized cost

Financial assets that meet the following two conditions and were not designated at fair value are measured at amortized cost through profit or loss:

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

Second: Financial liabilities

Financial liabilities (including loans and accounts payable) are measured subsequently at amortized cost using the effective interest method.

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are met, cancelled or expired. The difference between the carrying amount of disposed financial liabilities and the amount paid is charged to the statement of profit or loss.

Effective interest rate method

The effective interest method is an accounting practice used for calculating the amortized cost of a debt instrument and for distributing interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (Including all fees and points paid or received, which form an integral part of the effective interest rate, transaction costs, installments or other discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Notes to the interim financial statements (unaudited)
For the six - month period ended June 30, 2022

5 - Significant accounting policies (continued)

Revenue generation

- Dividend

Dividends are recognized when the Fund's right to receive payment is declared.

- Gains/(losses) of financial assets at fair value through profit or loss

Unrealized gains and losses resulting from changes in fair value, and realized gains and losses resulting from the sale of financial assets designated at fair value and dividends, are recognized in the interim statement profit or loss. Realized gains and losses on financial assets identified at fair value sold are determined at weighted average cost.

Zakat and Income tax

Zakat and income tax are obligation of the unitholders and is not provided for in these accompanying interim financial statements

Management fees and other expenses

Management fees and other expenses are based on rates determined as specified in the fund's terms and conditions on an accrual basis.

Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated at the exchange rates prevailing at year-end. Gains and losses from settlement and translation of foreign currency transactions are included in the other comprehensive income.

Tharwat Saudi Equity Fund
(Managed by Tharwat For Financial Securities)

Notes to the interim financial statements (unaudited) (continued)
For the six - month period ended June 30, 2021
(Saudi riyals)

6 -Investments at fair value through profit or loss

A. Below is a summary of investment portfolio components at fair value through profit or loss at the date of the interim statement of financial position:

	As at June 30, 2022 (unaudited)				As at December 31, 2021 (audited)
	% Investment of the total market value	Cost	Unrealized gains	Market value	Market value
First: Equity investments (by sector)					
Real estate management and development	8.4%	83,371	120	83,491	83,371
Food production	8.4%	83,089	(4,276)	78,813	83,089
Software & services	13.1%	130,749	57,988	188,737	76,221
Utilities	8.9%	88,956	69,259	158,215	88,956
Food & staples retailing	8.7%	86,471	9,677	96,148	37,870
Transportation	3.4%	33,874	(7,584)	26,290	33,874
Financing and investment	4.8%	48,181	24,206	72,387	48,181
Consumer goods	5.6%	56,135	(10,043)	46,092	56,135
Banks	5.7%	56,720	(3,920)	52,800	56,720
Materials	5.1%	50,678	(10,031)	40,647	44,000
Media & entertainment	3.1%	30,866	(946)	29,920	30,866
Energy	3.0%	30,036	5,737	35,773	30,036
	78.2%	779,126	130,187	909,313	669,319
Second: Real estate investment current funds					
AlAhli REIT Fund 1	9.6%	95,703	(9,570)	86,133	95,703
Riyad REIT Fund	5.2%	51,515	1,413	52,928	51,515
Reit Education Fund	3.9%	39,114	(1,526)	37,588	39,114
Al Rajhi REIT Fund	3.1%	30,576	(5,040)	25,536	30,576
	21.8%	216,908	(14,723)	202,185	216,908
Total investments	100%	996,034	115,464	1,111,498	886,227

B. The movement on investments at fair value through profit or loss are as follows:

	30 June 2022	31 December 2021
Book value, beginning of the period/ year	886,227	260,611
Purchases during the period/ year	109,807	518,598
Sales during the period/ year	-	-
Book value, at the end of the period/ year	996,034	779,209
Unrealized gains from investments at fair value through the profit or loss	115,464	107,018
Market value, at the end of the period/ year	1,111,498	886,227

Notes to the interim financial statements (unaudited) (continued)
For the six - month period ended June 30, 2021
(Saudi riyals)

7 -Related party transactions

The following is a list of the significant transactions with related parties during the period, and the resulting balances:

A. The balances due to related parties are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Tharwat for financial securities company	4,759	4,454
Al-Nefae investment group company	9,917	10,000
	14,676	14,454

B. The material transactions with related parties are as follows:

Related party	Nature of relationship	Nature of transaction	Transaction amount	
			June 30, 2022	December 31, 2021
Tharwat for financial securities company	Fund's Manager	Management fees	9,248	17,511
Al-Nefae investment group company	Custodian	Custody Fees	9,918	20,000

The Fund pays a management fee at an annual rate of 0.95% of the fund's net assets value at the end of each day and they are paid each quarter.

In addition, the fund charges custody fees at an annual rate of 0.15% of the net assets value of the fund, with a minimum of 20,000 Saudi riyals, calculated daily and paid every quarter. Management and custody fees are charged according to the terms and conditions of the fund.

Trading transactions on the Saudi Stock Exchange Tadawul are done through the Fund Manager.

As of June 30, 2022, the unitholder's account includes 205,370 units (December 31, 2021: 205,370 units) owned by the Fund Manager.

8 -Last valuation day

The last valuation day of the period was June 30, 2022.

9 -Financial instruments and risk management

The financial instruments in the statement of financial position comprise mainly bank balances, Investments at fair value through profit or loss, due to related parties and accrued expenses.

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Fund is not significantly subjected to credit risk. Cash is deposited at local banks with a high credit rating.

The following table shows the maximum exposure of the Fund to credit risks related to the items of the interim financial position statement:

	30 June 2022	31 December 2021
Investments at fair value through profit or loss	1,111,498	886,227
Cash at banks	855,069	988,112
	1,966,567	1,874,339

Notes to the interim financial statements (unaudited) (continued)
For the six - month period ended June 30, 2021
(Saudi riyals)

9 - Financial instruments and risk management (continued)

Commission rate risk

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates in the market. The Fund has no significant assets or liabilities that are subject to commissions as at June 30, 2022.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Fund believes it is not subjected to significant currency risks as the Fund's main transactions are in Saudi Riyals.

Liquidity risks

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The fund manager monitors the liquidity required on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Fair value

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

The first level: The quoted market prices in active markets for identical assets and liabilities.

The second level: Valuation techniques that depend on inputs that affect the fair value and can be directly or indirectly observable in the market.

The third level: Valuation techniques that depend on inputs that affect the fair value that cannot be directly or indirectly observed in the market.

June 30, 2022 (unaudited)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	1,111,498	-	-	1,111,498
December 31, 2021 (audited)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	886,227	-	-	886,227

10 -Significant matters

The global Coronavirus (COVID-19) pandemic continues to create economic and social uncertainty throughout the world. Governments and central banks globally provided unprecedented fiscal and monetary support to economies suffering lockdown restrictions. Significant progress has been made on vaccine rollouts however distribution to developing countries has been slower. The emergence of further waves and more virulent strains remains a risk. Whilst many economies have successfully reopened, the path to recovery varies widely with the financial burden of lockdown weighing heavily. In spite of the reopening of economies, economic uncertainties, which may materially affect the valuation of portfolio investments and in turn, the net asset value of the Funds prevail. The long-term effect of the aforementioned fiscal and monetary intervention remains unpredictable.

11 -Subsequent events

The management believes there were no significant subsequent events before or after the date of the financial statements that may require modification or disclosure.

12 -Approval of the interim financial statements

The interim financial statements have been approved for issue by the Fund's board of directors on 11 Muharram 1444 (corresponding to 9 August 2022).