

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS****To the unitholders****Musharaka REIT Fund****Introduction**

We have reviewed the accompanying condensed interim statement of financial position of Musharaka REIT fund (the "Fund"), managed by Musharaka Capital Company (the "Fund Manager") as at 30 June 2020, and the related condensed interim statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on the condensed 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 information 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 that are 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

BAKER TILLY MKM & CO.
Certified Public Accountants**Majid Muneer Alnemer**

License No. 381

Al-Khobar 26 Dhu-al-Hijja 1441H

16 August 2020



MUSHARAKA REIT FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	<i>Note</i>	30 June 2020 <i>(Unaudited)</i>	<i>31 December 2019</i> <i>(Audited)</i>
		<i>SR</i>	<i>SR</i>
ASSETS			
Investment properties	6	1,039,099,727	978,986,053
Net investment in finance leases	7	206,344,733	207,162,087
Lease receivables	8	15,004,476	9,054,606
Prepayments and other assets	9	32,801,585	5,758,561
Investments at fair value through profit or loss (FVTPL)	10	5,023,770	-
Short term deposits	11	-	60,000,000
Cash and cash equivalents		39,428,901	12,925,844
TOTAL ASSETS		1,337,703,192	1,273,887,151
LIABILITIES			
Borrowings	12	256,805,968	185,743,163
Lease liabilities	13	145,335,252	151,615,548
Unearned rental revenue	14	15,507,761	17,979,074
Accrued management fees	15	7,714,924	8,720,363
Other liabilities	16	12,841,813	2,604,628
TOTAL LIABILITIES		438,205,718	366,662,776
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		899,497,474	907,224,375
Units in issue		88,000,000	88,000,000
Per unit value		10.22	10.31

The accompanying notes from 1 to 25 form an integral part of these condensed interim financial statements

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	<i>Note</i>	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i> <i>SR</i>	<i>For the Six-month period ended 30 June 2019 (Unaudited)</i> <i>SR</i>
Revenue			
Rental revenue		51,071,743	47,522,626
Expenses			
Depreciation	6	(11,636,326)	(11,911,241)
Fund management fee	15	(7,714,924)	(6,574,083)
Other operating expenses	18	(2,014,133)	(4,122,610)
Allowance for expected credit losses		(2,000,000)	-
		(23,365,383)	(22,607,934)
Operating profit			
		27,706,360	24,914,692
Unrealised gain on investments at fair value through profit or loss (FVTPL)	10	23,770	-
Finance income	19	4,723,577	5,693,505
Finance costs	20	(9,380,608)	(7,811,385)
Profit for the period			
		23,073,099	22,796,812
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			
		23,073,099	22,796,812
Weighted average number of units outstanding			
		88,000,000	88,000,000
Basic and diluted earnings per unit			
	22	0.26	0.26

The accompanying notes from 1 to 25 form an integral part of these condensed interim financial statements

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	<u><i>SR</i></u>
For the six month period ended 30 June 2020	
As at 1 January 2020 (Audited)	907,224,375
Profit for the period	<u>23,073,099</u>
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>23,073,099</u>
Dividends	<u>(30,800,000)</u>
As at 30 June 2020 (Unaudited)	<u><u>899,497,474</u></u>
For the six month period ended 30 June 2019	
As at 1 January 2019	848,631,161
Impact of applying IFRS 16	49,307,849
As at 1 January 2019 (restated)	<u>897,939,010</u>
Profit for the period	22,796,812
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>22,796,812</u>
Dividends	<u>(30,800,000)</u>
As at 30 June 2019	<u><u>889,935,822</u></u>

The accompanying notes from 1 to 25 form an integral part of these condensed interim financial statements

MUSHARAKA REIT FUND
(Managed by Musharaka Capital Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2019 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit for the period	23,073,099	22,796,812
Adjustments for:		
Depreciation	11,636,326	11,911,241
Allowance for expected credit losses	2,000,000	-
Unrealised gain on investments at fair value through profit or loss (FVTPL)	(23,770)	-
Finance costs	6,060,904	7,811,385
Finance income	(4,723,577)	(5,693,505)
Changes in operating assets and liabilities:		
Investment in finance leases	5,486,181	9,783,434
Lease receivables	(7,949,870)	(3,189,046)
Prepayments and other assets	755,679	(837,854)
Unearned rental revenue	(2,471,313)	(5,560,317)
Accrued management fees	(1,005,439)	145,889
Other liabilities	(52,185)	(203,422)
Net cash from operating activities	32,786,035	36,964,617
INVESTING ACTIVITIES		
Acquisition of investment properties	(71,750,000)	-
Advance paid for acquisition of investment property	(20,540,813)	-
Investment in short - term deposits	60,000,000	(28,000,000)
Investments at fair value through profit or loss (FVTPL)	(5,000,000)	-
Finance income received on short term deposits	340,000	236,529
Net cash used in investing activities	(36,950,813)	(27,763,471)
FINANCING ACTIVITIES		
Net change in lease liabilities	(6,280,296)	(5,809,827)
Net Proceeds from long - term loan	71,796,060	-
Proceeds from short - term loan	-	100,000,000
Finance costs paid	(4,047,929)	(7,275,780)
Dividends paid	(30,800,000)	(24,640,000)
Net cash generated from financing activities	30,667,835	62,274,393
Net change in cash and cash equivalents	26,503,057	71,475,539
Cash and cash equivalents at the beginning of the period	12,925,844	35,127,521
CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD	39,428,901	106,603,060
<u>Non-cash transaction:</u>		
Accrued loan arrangement fees	9,000,000	-
Loan deferred transaction costs charged	723,605	409,002
Deferred loan arrangement fee transferred to borrowings	1,456,860	-
Impact of IFRS 16 adoption	-	49,307,849
Dividend declared but not paid	-	30,800,000

The accompanying notes from 1 to 25 form an integral part of these condensed interim financial statements

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

1 - GENERAL

Musharaka REIT (the “Fund”) is a closed-ended real estate investment fund incorporated in the Kingdom of Saudi Arabia in compliance with the real estate investment funds regulations and real estate investment traded funds instructions issued by board of the Capital Market Authority (CMA). The Fund is listed and traded in the Saudi Stock Exchange (“Tadawul”) and is in compliance with Shari’a requirements. The Fund is managed by Musharaka Capital Company (the “Fund Manager”).

The registered address of the Fund Manager is: Musharaka Capital Company P.O.Box 712, Al Khobar 31952, Kingdom of Saudi Arabia.

The offering of the units of the Fund has been approved by the CMA on 23/10/1438H (corresponding to 17 July 2017) and started its operations on 17 August 2017. The Fund's term is 99 years extendable for additional two years at the discretion of the Fund Manager after obtaining CMA approval.

The primary investment objective of the Fund is to invest in developed properties that are qualified to generate periodic rental income and distribute at least 90% of the Fund's net profit as cash dividends to the unit holders annually.

2 - BASIS OF PREPARATION

The condensed interim financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Certified Public Accountants (SOCPA).

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund’s annual financial statements as at 31 December 2019.

The financial statements have been prepared on a historical cost basis except for investment at fair value through profit or loss (FVTPL). The financial statements are presented in Saudi Riyals which is also the functional currency of the Fund and all values are rounded to the nearest Saudi Riyal (SR), except when otherwise indicated.

As per CMA instructions, the Fund has adopted the cost model for investment properties. Accordingly, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses.

3 - ACCOUNTING POLICIES

Accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements.

4 (A) - NEW STANDARDS AND AMENDMENTS TO STANDARDS

There are no new standards issued; however, the adoption of the following amendments to the existing standards had no significant financial impact on the condensed interim financial statements of the Fund on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendment to IFRS 3)
- Definition of Material (Amendment to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

4 (B) - STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021, and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these condensed interim financial statements.

<i><u>Standard/ Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date:</u></i>
IFRS 17	Insurance Contracts	1 January 2021
IAS 1	Classification of Liabilities as Current or Non-Current (amendments to IAS 1)	1 January 2022
IFRS 10 and IAS	Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28).	1 January 2022 Available for optional adoption/ effective date deferred indefinitely

5 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

With the exception of what has been disclosed in note 24, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****6 - INVESTMENT PROPERTIES**

	<i>30 June 2020</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2019</i> <i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Owned investment properties (a)	930,711,350	866,807,509
Right of use assets (b)	108,388,377	112,178,544
	<u>1,039,099,727</u>	<u>978,986,053</u>

(a) Owned investment properties

	<i>Land</i>	<i>Buildings</i>	<i>Furniture, fixture and equipment</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:				
1 January 2020	459,588,770	404,261,998	52,678,780	916,529,548
Addition	51,827,610	19,922,390	-	71,750,000
30 June 2020	<u>511,416,380</u>	<u>424,184,388</u>	<u>52,678,780</u>	<u>988,279,548</u>
Accumulated depreciation and impairment				
1 January 2020	7,082,415	30,168,453	12,471,171	49,722,039
Charge for the period	-	5,212,220	2,633,939	7,846,159
30 June 2020	-	<u>35,380,673</u>	<u>15,105,110</u>	<u>57,568,198</u>
Net book value				
30 June 2020	<u>511,416,380</u>	<u>388,803,715</u>	<u>37,573,670</u>	<u>930,711,350</u>
31 December 2019	<u>452,506,355</u>	<u>374,093,545</u>	<u>40,207,609</u>	<u>866,807,509</u>

Owned investment properties represent the Fund's investments in various showrooms, residential compounds, warehousing facilities, retails and hotel apartments located within the Kingdom of Saudi Arabia.

Investment properties at 30 June 2020 with a net book value of SR 821.33 million (31 December 2019: SR 828.70 million) are pledged as security against bank borrowings (note 12).

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on valuations prepared by two independent evaluators. In accordance with CMA instructions, investment properties are carried at cost less accumulated depreciation and impairment loss if any.

The fair values of the properties are based on valuations performed by Olat Valuation Company and Valustrat, (2019: Olat Valuation Company and Remax Real Estate) all are independent valuers accredited by the Saudi Authority for Accredited Valuers.

As at 30 June 2020, the average valuation of the above investment properties amounted to SR 977,188,957 (31 December 2019: 905,096,232). Key assumptions used for the valuation of investment properties include discount rate at 8% (31 December 2019: 9%) and income yield rate ranging from 8% to 10% (31 December 2019: 7% to 9%).

Fair value hierarchy

The fair value of investment properties is classified in the third level of fair value hierarchy.

Any significant movement in the assumptions used for fair valuation of investment properties such as discount rates, yield, rental growth, vacancy rate etc. would result in significantly lower/higher fair value of those assets.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****6 - INVESTMENT PROPERTIES(Continued)****(b) Right of use assets**

	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Cost:			
1 January 2020	62,754,430	60,630,866	123,385,296
30 June 2020	62,754,430	60,630,866	123,385,296
Accumulated Amortization:			
1 January 2020	5,712,530	5,494,222	11,206,752
Charge for the period	1,932,335	1,857,832	3,790,167
30 June 2020	7,644,865	7,352,054	14,996,919
Net book value			
30 June 2020	55,109,565	53,278,812	108,388,377
31 December 2019	57,041,900	55,136,644	112,178,544

The Fund has acquired right of use assets ("ROU") of certain commercial properties, i.e. land and building for term ranging from 15.5 to 16.5 years.

The fair values of the ROU are based on valuations performed by Olat Valuation Company and Valustrat, (2019: Olat Valuation Company and Remax Real Estate) all are independent valuers accredited by the Saudi Authority for Accredited Valuers.

As at 30 June 2020, the average valuation of the buildings amounted to SR 64,195,000 (31 December 2019: SR 63,772,273) calculated by allocating the overall average valuation of the acquired right of use buildings amounted to SR 127,596,299 (31 December 2019: SR 126,659,463) to the remaining area after the derecognition of the portion of buildings that was derecognised on finance lease arrangements. The valuation is determined as an average value of the valuation reports made by two independent valuers. Key assumptions used for the valuation of the ROU include discount rate ranging between 10.5% to 12% (31 December 2019: 10.5% to 11%).

7 - NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases consists of:

	<i>30 June 2020</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	286,439,830	291,926,011
Less: Unearned finance income	(80,095,097)	(84,763,924)
	206,344,733	207,162,087

The maturity analysis of investment in finance lease as at 30 June 2020 is as follows:

	<i>Less than one</i>	<i>Two to five</i>	<i>More than five</i>	<i>Total</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease receivables	22,098,342	71,411,543	192,929,945	286,439,830
Finance income	(8,573,214)	(32,348,673)	(39,173,210)	(80,095,097)
	13,525,128	39,062,870	153,756,735	206,344,733

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****7 - NET INVESTMENT IN FINANCE LEASES (Continued)**

The maturity analysis of investment in finance lease as at 31 December 2019 is as follows:

	<i>Less than one year</i>	<i>Two to five years</i>	<i>More than five years</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease receivables	18,617,700	70,850,595	202,457,716	291,926,011
Finance income	(8,095,070)	(33,244,275)	(43,424,579)	(84,763,924)
	<u>10,522,630</u>	<u>37,606,320</u>	<u>159,033,137</u>	<u>207,162,087</u>

8 - LEASE RECEIVABLES

	<i>30 June 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
	<i>SR</i>	<i>SR</i>
Rent receivables - Billed	18,188,953	11,500,108
Rent receivables - Unbilled	1,736,491	475,466
	19,925,444	11,975,574
Less: allowance for expected credit losses	(4,920,968)	(2,920,968)
	15,004,476	9,054,606

An aged analysis of rent receivables as at 30 June 2020 is as follows:

Neither past due nor impaired	Past due but not impaired				Total
	< 180 days	181-270 days	270-365 days	> 365 days	
<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
1,736,491	7,624,847	1,858,903	2,667,335	6,037,868	19,925,444

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

Neither past due nor impaired	Past due but not impaired				Total
	< 180 days	181-270 days	270-365 days	> 365 days	
<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
475,466	6,470,705	964,982	1,057,073	3,007,348	11,975,574

9 - PREPAYMENTS AND OTHER ASSETS

	<i>30 June 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
	<i>SR</i>	<i>SR</i>
Advance against purchase of an investment property (a)	20,540,813	-
Deferred loan arrangement fee (b)	11,719,835	4,176,695
Prepaid expenses	540,937	339,754
Accrued interest income	-	285,250
VAT receivable	-	956,862
	32,801,585	5,758,561

(a) Represents the advance paid for acquisition of an investment property, (warehouse in the United Arab Emirates). The total value of this contract amounting to AED 46 million (SR 46.92 million) . The transfer of this property to the Fund is under process at the reporting date.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued) FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

9 - PREPAYMENTS AND OTHER ASSETS (Continued)

- (b) Deferred loan arrangement fee constitutes administrative and consultancy fee on the unavailed loan facility amounting to SR 735.95 million (31 December 2019: SR 208.85 million) (note 12).

10 - INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

The investment portfolio and its the fair value at reporting date are as follows :

Investee	As at 30 June 2020 (Unaudited)		
	Cost	Unrealised gain	Market Value
	SR	SR	SR
Musharaka Murabaha Sukuk Fund	5,000,000	23,770	5,023,770

Movement in investment at FVTPL for the period was as follows:

	30 June 2020 (Unaudited)
	SR
Addition	5,000,000
Change in fair value	23,770
At 30 June 2020	5,023,770

11 - SHORT TERM DEPOSITS

Short term deposits represent the amount invested by the Fund in a Murabaha deposit with a local commercial bank, which is in compliance with Sharia standards, has an original maturity of more than 3 months for the purpose of yielding finance income at commercial rates.

Deposits earn finance income at rate ranging between 2.50% to 2.70% (2019: SR 2% to 2.65%).

12 - BORROWINGS

	June 2020 (Unaudited)	31 December 2019 (Audited)
	SR	SR
Long term loan	264,053,934	191,165,228
Less: transaction costs	(7,247,966)	(5,422,065)
	256,805,968	185,743,163

The Fund entered into a bank facility agreement, which is in compliance with Sharia standards, with Al Rajhi bank in the form of long term loans with an overall withdrawing limit of SR 400 million to finance the acquisition of income generating assets. During the period , the Fund has increased its credit facility limit from SR 400 million to SR 1 billion. These facilities carry finance cost at SIBOR (6 months) plus a margin of 1.65% to 1.85% (31 December 2019: 1.85%).

The loan is repayable on a single lumpsum payment after seven years from the date of withdrawal. Interest is payable on a semi-annual basis.

The loan is secured by a mortgage of the Fund's investment properties, promissory note and assignment of rental income.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****13 - LEASE LIABILITIES**

	<i>30 June 2020</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Gross lease liabilities	204,526,280	214,126,280
Finance charges	(59,191,028)	(62,510,732)
	145,335,252	151,615,548

The maturity analysis of lease liabilities as at 30 June 2020 is as follows:

	<i>Less than one</i>	<i>Two to five</i>	<i>More than five</i>	<i>Total</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease liabilities	11,490,000	48,007,000	145,029,280	204,526,280
Finance charges	(3,219,377)	(23,966,910)	(32,004,741)	(59,191,028)
	8,270,623	24,040,090	113,024,539	145,335,252

The maturity analysis of lease liabilities as at 31 December 2019 is as follows:

	<i>Less than one</i>	<i>Two to five</i>	<i>More than five</i>	<i>Total</i>
	<i>year</i>	<i>years</i>	<i>years</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease liabilities	18,640,000	47,392,000	148,094,280	214,126,280
Finance charges	(5,277,772)	(24,189,497)	(33,043,463)	(62,510,732)
	13,362,228	23,202,503	115,050,817	151,615,548

Lease liability represents present value of minimum lease payments for lease land.

14 - UNEARNED RENTAL REVENUE

Unearned rental revenue represents advance rent received, against operating leases of investment properties.

15 - FUND MANAGEMENT FEE

The Fund is managed and administered by the Fund Manager. For these services, the Fund calculates the management fee, as set out in the Fund's terms and conditions, at an annual rate of 1.2% of the Funds total assets.

16 - OTHER LIABILITIES

	<i>30 June 2020</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2019</i>
	<i>SR</i>	<i>SR</i>
Loan arrangement fee payable	9,000,000	-
Accrued finance charges	1,558,149	268,779
Security deposits	978,000	978,000
Accrued expenses	840,228	876,991
Others	465,436	480,858
	12,841,813	2,604,628

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****17 - DIVIDEND PAYABLE**

During the period, the Fund paid dividends of SR 30.80 million. As per the terms and conditions of the Fund, it aims to distribute cash dividend, at least once annually, not less than 90% of the net profit.

18 - OTHER OPERATING EXPENSES

	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2019 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Fees and subscriptions	674,847	571,463
Utilities	575,528	638,321
Valuation fee	170,405	122,000
Right of use property manager fee	113,507	1,342,064
Board of director's fee	20,000	30,000
Advertising and branding	-	46,950
Others	459,846	1,371,812
	2,014,133	4,122,610

19 - FINANCE INCOME

	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2019 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Interest income on short - term deposits (note 11)	54,750	359,709
Interest income from investment in finance lease (note7)	4,668,827	5,333,796
	4,723,577	5,693,505

20 - FINANCE COSTS

	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2019 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Interest expense on borrowings (note 12)	5,337,299	4,262,210
Amortization of loan arrangement fee	723,605	409,002
Interest expense on lease liabilities (note 13)	3,319,704	3,140,173
	9,380,608	7,811,385

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020****21 - RELATED PARTIES TRANSACTIONS AND BALANCES**

Related parties represent Musharaka Capital Company (Fund Manager), Alinma Investment Company (Custodian), the unitholders, the Fund Board and the Fund Sharia Committee.

The following table provides the total amount of transactions that have been entered into with related parties during the period and their related balances:

Related party	Nature of transaction	For the Six-	For the Six-
		month period	month period
		ended	ended
		30 June 2020	30 June 2019
		(Unaudited)	(Unaudited)
		SR	SR
Fund Manager	Management fees	7,714,924	6,574,083
	Loan arrangement fee	9,000,000	-
	Commission on purchase of investment property	700,000	-
Fund Board	Board of Directors remunerations	20,000	30,000
Sharia Committee	Sharia Committee remunerations	16,500	16,500
Custodian	Custody fee	49,727	50,000
Unit holder	Rental revenue	16,022,500	15,830,542

The Fund Manager's investment in the Fund at 30 June 2020 is 4.65 million units (31 December 2019 is 4.64 million units).

Balances with related parties are as follows:

Related party	Presented under	30 June 2019	31 December
		(Unaudited)	2018
		SR	SR
Fund Manager	Accrued management fees	7,714,924	8,720,363
	Other liabilities	9,000,000	-
Custodian	Other liabilities	191,393	99,727

The basis and term of payment for fees payable to related parties are as per terms and conditions of the Fund approved by CMA as follows:

Type of fee	Basis and rate	Payment term
Management fees	1.2% of the total assets	Every six (6) months
Board of Directors remunerations	SR 5,000 per meeting only payable to the independent members, maximum up to SR 80,000 per annum for all members.	After the meeting of the Board of Directors
Sharia Committee remunerations	SR 33,000 per annum	Every six (6) months
Custody fees	SR 100,000 per annum	Annually
Debt arrangement fees	Upto 1.5% of the arranged facility	Upon arrangement

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

22 - EARNINGS PER UNIT

The calculation of basic earnings per unit is based on the profit attributable to unitholders and the weighted average number of units outstanding.

	<i>For the Six- month period ended 30 June 2020 (Unaudited) SR</i>	<i>For the Six- month period ended 30 June 2019 (Unaudited) SR</i>
Profit for the period attributable to the unit holders	23,073,099	22,796,812
Weighted average number of units	88,000,000	88,000,000
Basic and diluted earnings per unit	0.26	0.26

23 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Investment properties, net investment in finance leases, long term loan and lease liabilities are expected to be realised after twelve (12) months from the reporting date. All other assets and liabilities are of a current nature.

24 - IMPACT OF COVID-19 ON THE FUND'S OPERATIONS AND CONDENSED INTERIM FINANCIAL STATEMENTS

During March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID 19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines, and enforced countrywide lockdowns and curfews.

The Fund has evaluated the current situation to foresee the expected impact on key credit, liquidity, operational, solvency and performance indicators to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance.

These current events and the prevailing economic condition require the Fund to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around revisions to the scenario probabilities currently being used by the Fund in ECL estimation. As a result to these revisions, the Fund has recognized an allowance for expected credit losses for an amount of SR 2 million for the period ended 30 June 2020. Moreover, the Fund has received a number of requests from tenants to suspend or reduce the rent, some requests had been rejected while others are still under study as at 30 June 2020. The impact of such requests is not forecasted to be material to the Funds financial statements.

As with any forecasts, the projections, and likelihoods of occurrence is underpinned by significant judgment and uncertainty and therefore, the annual outcomes may be different from those projected. The impact of such uncertain economic environment is judgmental, and the Fund will continue to reassess its position and the related impact on a regular basis.

25 - APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Fund's Board of Directors on 16 August 2020.