

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021  
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 2021, 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 9 Muharram 1443H  
17 August 2021



**MUSHARAKA REIT FUND**  
(Managed by Musharaka Capital Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2021**

	<i>Note</i>	<i>30 June 2021</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i>
		<i>SR</i>	<i>SR</i>
<b>ASSETS</b>			
Investment properties	7	<b>1,029,030,230</b>	1,039,777,746
Net investment in finance leases	8	<b>249,281,703</b>	247,259,998
Lease receivables	9	<b>35,163,246</b>	10,883,656
Prepayments and other assets	10	<b>9,999,220</b>	5,830,341
Investments at fair value through profit or loss (FVTPL)	11	<b>5,250,800</b>	5,219,050
Cash and cash equivalents		<b>19,185,610</b>	45,169,041
<b>TOTAL ASSETS</b>		<b>1,347,910,809</b>	1,354,139,832
<b>LIABILITIES</b>			
Borrowings	12	<b>313,730,592</b>	303,751,617
Lease liabilities	13	<b>140,190,315</b>	146,838,941
Unearned rental revenue	14	<b>10,017,120</b>	7,268,537
Accrued management fees	15	<b>8,051,400</b>	8,801,043
Other liabilities	16	<b>5,837,646</b>	5,778,975
<b>TOTAL LIABILITIES</b>		<b>477,827,073</b>	472,439,113
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>870,083,736</b>	881,700,719
<b>Units in issue</b>		<b>88,000,000</b>	88,000,000
<b>Per unit value</b>		<b>9.89</b>	10.02

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 2021**

	<i>Note</i>	<i>For the Six-month period ended 30 June 2021 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>
		<i>SR</i>	<i>SR</i>
<b>Revenue</b>			
Rental revenue		<b>43,317,443</b>	51,071,743
<b>Expenses</b>			
Depreciation	7	<b>(11,295,590)</b>	(11,636,326)
Fund management fee	15	<b>(8,051,400)</b>	(7,714,924)
Other operating expenses	17	<b>(2,806,731)</b>	(2,014,133)
Impairment loss on investment properties	7	<b>(4,704,234)</b>	-
Allowance for expected credit losses		<b>-</b>	(2,000,000)
		<b>(26,857,955)</b>	(23,365,383)
<b>Operating profit</b>		<b>16,459,488</b>	27,706,360
Other income	13	<b>410,000</b>	-
Unrealised gain on investments at fair value through profit or loss (FVTPL)	11	<b>31,750</b>	23,770
Finance income	18	<b>5,941,519</b>	4,723,577
Finance costs	19	<b>(8,059,740)</b>	(9,380,608)
<b>Profit for the period</b>		<b>14,783,017</b>	23,073,099
Other comprehensive income		<b>-</b>	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>14,783,017</b>	23,073,099
<b>Weighted average number of units outstanding</b>		<b>88,000,000</b>	88,000,000
<b>Basic and diluted earnings per unit</b>	21	<b>0.17</b>	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 2021**

	<u>SR</u>
<b>For the six month period ended 30 June 2021</b>	
As at 1 January 2021 (Audited)	881,700,719
Profit for the period	<u>14,783,017</u>
Other comprehensive income for the period	-
Total comprehensive income for the period	<u>14,783,017</u>
Dividends (note 23)	<u>(26,400,000)</u>
As at 30 June 2021 (Unaudited)	<u><u>870,083,736</u></u>
For the six month period ended 30 June 2020	
As at 1 January 2020 (Audited)	907,224,375
Profit for the period	23,073,099
Other comprehensive income for the period	-
Total comprehensive income for the period	23,073,099
Dividends (note 23)	<u>(30,800,000)</u>
As at 30 June 2020 (Unaudited)	<u><u>899,497,474</u></u>

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

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**MUSHARAKA REIT FUND**  
(Managed by Musharaka Capital Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

	<i>For the Six- month period ended 30 June 2021 (Unaudited)</i>	<i>For the Six- month period ended 30 June 2020 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	14,783,017	23,073,099
Adjustments for:		
Depreciation	11,295,590	11,636,326
Impairment loss on investment property	4,704,234	-
Allowance for expected credit losses	-	2,000,000
Unrealised gain on investments at fair value through profit or loss (FVTPL)	(31,750)	(23,770)
Finance costs	8,059,740	6,060,904
Finance income	(5,941,519)	(4,723,577)
Rent concession on lease liabilities	(410,000)	-
Changes in operating assets and liabilities:		
Investment in finance leases	3,919,814	5,486,181
Lease receivables	(24,279,590)	(7,949,870)
Prepayments and other assets	(4,354,159)	755,679
Unearned rental revenue	2,748,583	(2,471,313)
Accrued management fees	(749,643)	(1,005,439)
Other liabilities	134,727	(52,185)
<b>Net cash from operating activities</b>	<b>9,879,044</b>	<b>32,786,035</b>
<b>INVESTING ACTIVITIES</b>		
Additions to investment properties	(5,252,308)	(71,750,000)
Advance paid for acquisition of investment property	-	(20,540,813)
Investment in short - term deposits	-	60,000,000
Investments at fair value through profit or loss (FVTPL)	-	(5,000,000)
Finance income received on short term deposits	-	340,000
<b>Net cash used in investing activities</b>	<b>(5,252,308)</b>	<b>(36,950,813)</b>
<b>FINANCING ACTIVITIES</b>		
Net change in lease liabilities	(9,420,000)	(6,280,296)
Net Proceeds from long - term loan	9,300,350	71,796,060
Finance costs paid	(4,090,517)	(4,047,929)
Dividends paid	(26,400,000)	(30,800,000)
<b>Net cash / (used in) generated from financing activities</b>	<b>(30,610,167)</b>	<b>30,667,835</b>
<b>Net change in cash and cash equivalents</b>	<b>(25,983,431)</b>	<b>26,503,057</b>
Cash and cash equivalents at the beginning of the period	45,169,041	12,925,844
<b>CASH AND CASH EQUIVALENTS, AT THE END OF THE PERIOD</b>	<b>19,185,610</b>	<b>39,428,901</b>
<b><u>Non-cash transaction:</u></b>		
Accrued loan arrangement fees	-	9,000,000
Loan deferred transaction costs charged	863,905	723,605
Deferred loan arrangement fee transferred to borrowings	185,280	1,456,860

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 2021**

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#### **1 - GENERAL**

Musharaka REIT (the “Fund”) is a closed-ended public 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 2021 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 Chartered and Professional 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 2020.

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 - NEW STANDARDS AND AMENDMENTS TO STANDARDS**

There are no new standards issued, however, there are number of ammedments to the standards which are effective from 1 January 2021 and has been explained in Fund's annual financial statements for the year ended 31 December 2020, but they do not have a significant effect on these condensed interim financial statements for the six month period ended 30 June 2021.

#### **5 - STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021****5 - STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)**

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date:</i>
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
IFRS 3	Business Combination	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-Current ( amendments to IAS 1)	1 January 2023
IFRS 10 and IAS 28	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

**6 - 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.

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, except for the impact of Covid-19 which is described below:

*Revised estimates on impact of Covid-19*

The Fund has reassessed 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 recoverable amounts of investment properties. These would primarily revolve around revisions to the scenario probabilities currently being used by the Fund in impairment loss estimation. As a result to these revisions, the Fund has recognized an impairment loss on investment properties for an amount of SR 4.7 million for the period ended 30 June 2021. 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 2021. 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.

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**7 - INVESTMENT PROPERTIES**

	<i>30 June 2021</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Owned investment properties (a)	933,490,456	940,747,040
Right of use assets (b)	95,539,774	99,030,706
	<u>1,029,030,230</u>	<u>1,039,777,746</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>
<b>Cost:</b>				
1 January 2021	529,376,947	424,184,388	52,678,780	1,006,240,115
Addition	-	5,252,308	-	5,252,308
30 June 2021 (Unaudited)	<u>529,376,947</u>	<u>429,436,696</u>	<u>52,678,780</u>	<u>1,011,492,423</u>
1 January 2020	459,588,770	404,261,998	52,678,780	916,529,548
Additions	69,788,177	52,682,253	-	122,470,430
Disposals	-	(32,759,863)	-	(32,759,863)
31 December 2020	<u>529,376,947</u>	<u>424,184,388</u>	<u>52,678,780</u>	<u>1,006,240,115</u>
<b>Accumulated depreciation and impairment</b>				
1 January 2021	7,082,415	40,660,071	17,750,589	65,493,075
Charge for the period	-	5,193,777	2,610,881	7,804,658
Impairment charge for the period	4,704,234	-	-	4,704,234
30 June 2021 (Unaudited)	<u>11,786,649</u>	<u>45,853,848</u>	<u>20,361,470</u>	<u>78,001,967</u>
1 January 2020	7,082,415	30,168,453	12,471,171	49,722,039
Additions	-	10,491,618	5,279,418	15,771,036
31 December 2020	<u>7,082,415</u>	<u>40,660,071</u>	<u>17,750,589</u>	<u>65,493,075</u>
<b>Net book value</b>				
30 June 2021 (Unaudited)	<u>517,590,298</u>	<u>383,582,848</u>	<u>32,317,310</u>	<u>933,490,456</u>
31 December 2020	<u>522,294,532</u>	<u>383,524,317</u>	<u>34,928,191</u>	<u>940,747,040</u>

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

Investment properties at 30 June 2021 with a net book value of SR 807.12 million ( 31 December 2020: SR 813.86 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 Olaat Valuation Company, Abaad Real Estate Valuation, ValuStrat consulting and JLL Valuation ( 2020: Olaat Valuation Company, ValuStrat consulting and JLL Valuation) all are independent valuers accredited by the Saudi Authority for Accredited Valuers (TAQEEM).

As at 30 June 2021, the average valuation of the above investment properties amounted to SR 986,992,197 (31 December 2020: 984,014,440). Key assumptions used for the valuation of investment properties include discount rate at 8% to 9% (31 December 2020: 8% to 9%) and income yield rate ranging from 7% to 9% (31 December 2020: 8% to 8.5%).

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**7 - INVESTMENT PROPERTIES( Continued)**

**Owned investment properties (Continued)**

**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.

**(b) Right of use assets**

	<i>Land</i>	<i>Buildings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Cost:</b>			
1 January 2021 and 30 June 2021	<b>58,403,266</b>	<b>58,430,976</b>	<b>116,834,242</b>
1 January 2020	62,754,430	60,630,866	123,385,296
Disposals	(4,351,164)	(2,199,890)	(6,551,054)
31 December 2020	<u>58,403,266</u>	<u>58,430,976</u>	<u>116,834,242</u>
<b>Accumulated Amortization:</b>			
1 January 2021	9,206,934	8,596,602	17,803,536
Charge for the period	<b>1,736,719</b>	<b>1,754,213</b>	<b>3,490,932</b>
30 June 2021 (Unaudited)	<u><b>10,943,653</b></u>	<u><b>10,350,815</b></u>	<u><b>21,294,468</b></u>
1 January 2020	5,712,530	5,494,222	11,206,752
Charge for the year	3,790,550	3,688,128	7,478,678
Disposals	(296,146)	(585,748)	(881,894)
31 December 2020	<u>9,206,934</u>	<u>8,596,602</u>	<u>17,803,536</u>
<b>Net book value</b>			
30 June 2021 (Unaudited)	<u><b>47,459,613</b></u>	<u><b>48,080,161</b></u>	<u><b>95,539,774</b></u>
31 December 2020	<u>49,196,332</u>	<u>49,834,374</u>	<u>99,030,706</u>

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 Abaad Real Estate Valuation ( 31 December 2020: Olat Valuation Company and Valustrat) all are independent valuers accredited by the Saudi Authority for Accredited Valuers.

As at 30 June 2021, the average valuation of the buildings amounted to SR 61,039,451 (31 December 2020: SR 60,515,472) calculated by allocating the overall average valuation of the acquired right of use buildings amounted to SR 124,943,955 (31 December 2020: SR 124,217,737) 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 8.4% to 11% (31 December 2020: 8.5% to 11%).

**8 - NET INVESTMENT IN FINANCE LEASES**

Net investment in finance leases consists of:

	<i>30 June 2021</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Gross investment in finance lease	<b>381,630,785</b>	385,550,599
Less: Unearned finance income	<b>(132,349,082)</b>	(138,290,601)
	<u><b>249,281,703</b></u>	<u>247,259,998</u>

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)**

**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**

**8 - NET INVESTMENT IN FINANCE LEASES (Continued)**

The maturity analysis of investment in finance lease as at 30 June 2021 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	37,440,545	85,887,420	258,302,820	381,630,785
Finance income	(9,972,014)	(42,941,875)	(79,435,193)	(132,349,082)
	<u>27,468,531</u>	<u>42,945,545</u>	<u>178,867,627</u>	<u>249,281,703</u>

The maturity analysis of lease liabilities as at 31 December 2020 is as follows:

	<i>Less than one year</i>	<i>One to five years</i>	<i>More than five years</i>	<i>More than five years</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease receivables	30,493,864	85,193,671	269,863,064	385,550,599
Finance income	(9,952,774)	(43,907,912)	(84,429,915)	(138,290,601)
	<u>20,541,090</u>	<u>41,285,759</u>	<u>185,433,149</u>	<u>247,259,998</u>

**9 - LEASE RECEIVABLES**

	<i>30 June 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
	<i>SR</i>	<i>SR</i>
Rent receivables - Billed	41,332,089	18,462,879
Rent receivables - Unbilled	2,719,365	1,308,985
	<u>44,051,454</u>	<u>19,771,864</u>
Less: allowance for expected credit losses	(8,888,208)	(8,888,208)
	<u>35,163,246</u>	<u>10,883,656</u>

An aged analysis of rent receivables as at 30 June 2021 and 31 December 2020 is as follows:

	<b>Neither past due nor impaired</b>	<b>Days past due</b>				<b>Total</b>
		<b>&lt; 180 days</b>	<b>181-270 days</b>	<b>270-365 days</b>	<b>&gt; 365 days</b>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
2021	2,719,365	26,681,769	3,229,561	3,175,035	8,245,724	44,051,454
2020	1,308,985	5,386,072	3,876,199	781,352	8,419,256	19,771,864

**10 - PREPAYMENTS AND OTHER ASSETS**

	<i>30 June 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
	<i>SR</i>	<i>SR</i>
VAT receivable (note 24)	5,937,341	287,074
Deferred loan arrangement fee	3,836,929	4,022,209
Prepaid expenses	224,950	68,751
Advance paid for capital expenditure	-	1,452,307
	<u>9,999,220</u>	<u>5,830,341</u>

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

The Fund made an investment in Musharaka Murabahat and Sukuk Fund which is an open-ended investment fund, managed by Musharaka Capital Company. The Fund recognised this investment at fair value through profit of loss (FVTPL).

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)****FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021****12 - BORROWINGS**

	<i>30 June 2021</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2020</i>
	<i>SR</i>	<i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Long term loan	<b>320,736,231</b>	311,389,561
Less: transaction costs	<b>(7,005,639)</b>	(7,637,944)
	<b>313,730,592</b>	<b>303,751,617</b>

The Fund entered into a Sharia compliant bank facility agreement, 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. Further, the Fund has increased its credit facility limit from SR 400 million to SR 1 billion. These facilities carry interest at SIBOR (6 months) plus a margin of 1.65% (31 December 2020: 1.65% to 1.85%) and is repayable on a single lumpsum payment after seven years from the date of withdrawal (28 June 2018). Interest is payable on a semi-annual basis.

The Fund has withdrawn SR 320.73 million till reporting date (31 December 2020: SR 311.39 million) for the purpose of acquiring investment properties. The loan is secured by a mortgage of certain investment properties (note 7), promissory note and assignment of rental income.

**13 - LEASE LIABILITIES**

	<i>30 June 2021</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2020</i>
	<i>SR</i>	<i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Gross lease liabilities	<b>192,876,280</b>	202,706,280
Finance charges	<b>(52,685,965)</b>	(55,867,339)
	<b>140,190,315</b>	<b>146,838,941</b>

The maturity analysis of lease liabilities as at 30 June 2021 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>
<b>Gross lease liabilities</b>	<b>11,490,000</b>	<b>49,864,000</b>	<b>131,522,280</b>	<b>192,876,280</b>
<b>Finance charges</b>	<b>(3,217,554)</b>	<b>(22,790,701)</b>	<b>(26,677,710)</b>	<b>(52,685,965)</b>
	<b>8,272,446</b>	<b>27,073,299</b>	<b>104,844,570</b>	<b>140,190,315</b>

The maturity analysis of lease liabilities as at 31 December 2020 is as follows:

	<i>Less than one</i>	<i>Two to five years</i>	<i>More than five</i>	<i>Total</i>
	<i>year</i>	<i>SR</i>	<i>years</i>	<i>SR</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross lease liabilities	18,710,000	49,249,000	134,747,280	202,706,280
Finance charges	(5,013,642)	(23,088,019)	(27,765,678)	(55,867,339)
	<b>13,696,358</b>	<b>26,160,981</b>	<b>106,981,602</b>	<b>146,838,941</b>

Lease liability represents present value of minimum lease payments for land lease. During the period Fund received concession on its land for an amount of SR 410,000 and has recognised it as other 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 2021****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 2021</i>	<i>31 December</i>
	<i>(Unaudited)</i>	<i>2020</i>
	<i>SR</i>	<i>(Audited)</i>
	<i>SR</i>	<i>SR</i>
Accrued expenses	1,776,600	1,624,487
Accrued finance charges	1,427,663	1,503,719
Security deposits	1,077,407	978,000
Payable against purchase of an investment property	449,214	1,474,000
Other	1,106,762	198,769
	<b>5,837,646</b>	<b>5,778,975</b>

**17 - OTHER OPERATING EXPENSES**

	<i>For the Six-</i>	<i>For the Six-</i>
	<i>month period</i>	<i>month period</i>
	<i>ended</i>	<i>ended</i>
	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Utilities	639,220	575,528
Right of use property manager fee	530,361	113,507
Fees and subscriptions	706,719	674,847
Valuation fee	134,530	170,405
Board of director's fee	10,000	20,000
Others	785,901	459,846
	<b>2,806,731</b>	<b>2,014,133</b>

**18 - FINANCE INCOME**

	<i>For the Six-</i>	<i>For the Six-</i>
	<i>month period</i>	<i>month period</i>
	<i>ended</i>	<i>ended</i>
	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Interest income from investment in finance lease (note8)	5,941,519	4,668,827
Interest income on short - term deposits	-	54,750
	<b>5,941,519</b>	<b>4,723,577</b>

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021****19 - FINANCE COSTS**

	<i>For the Six-month period ended 30 June 2021 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>
	<i>SR</i>	<i>SR</i>
Interest expense on borrowings (note 12)	4,014,461	5,337,299
Amortization of loan arrangement fee	863,905	723,605
Interest expense on lease liabilities (note 13)	3,181,374	3,319,704
	<b>8,059,740</b>	<b>9,380,608</b>

**20 - 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:

<u>Related party</u>	<u>Nature of transaction</u>	<i>For the Six-month period ended 30 June 2021 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>
		<i>SR</i>	<i>SR</i>
Fund Manager	Management fees	8,051,400	7,714,924
	Loan arrangement fee	-	9,000,000
	Commission on purchase of investment property	-	700,000
Fund Board	Board of Directors remunerations	10,000	20,000
Sharia Committee	Sharia Committee remunerations	16,500	16,500
Custodian	Custody fee	49,589	49,727
Unit holder	Rental revenue	6,685,363	7,200,000

The Fund Manager's investment in the Fund at 30 June 2021 is 4.64 million units (31 December 2020 is 4.64 million units).

Balances with related parties are as follows:

	<i>30 June 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
	<i>SR</i>	<i>SR</i>
Fund Manager (a)	<b>8,051,400</b>	<b>8,801,043</b>
Custodian (b)	<b>141,256</b>	<b>91,667</b>

(a) Presented under accrued management fee

(b) Presented under accrued expenses

**MUSHARAKA REIT FUND**

(Managed by Musharaka Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)****FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021****20 - RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)**

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:

<b>Type of fee</b>	<b>Basis and rate</b>	<b>Payment term</b>
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

**21 - 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 2021 (Unaudited)</i>	<i>For the Six-month period ended 30 June 2020 (Unaudited)</i>
	<u>SR</u>	<u>SR</u>
Profit for the period attributable to the unit holders	<b>14,783,017</b>	23,073,099
Weighted average number of units	<b>88,000,000</b>	88,000,000
Basic and diluted earnings per unit	<b>0.17</b>	0.26

**22 - 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.

**23 - DIVIDENDS**

During the period, the Fund Board paid dividends of SR 26.4 million (2020: SR 30.8 million). The Fund declared a dividend of SR 26.4 million subsequent to the period end. 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.

**24 - COMMITMENT AND CONTINGENCIES**

During the year end 31 December 2020 the Fund has received an assessment from GAZT claiming additional VAT liabilities of SR 5.7 million and penalties of SR 9.2 million. During the current period, Fund has paid the additional VAT amount of SR 5.7 million and filed an objection against the entire amount. On 7 July 2021, the Fund has received a revised assessment on its favor, dropping both VAT liabilities and the related penalties and received a VAT credit amounting to SR 5.7 million. The Fund recognised the same as VAT receivable under prepayments and other receivables (note 10).

**25 - APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The condensed interim financial statements were approved by the Fund's Board of Directors on 17 August 2021.