



RSM

RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

**MULKIA GULF REAL ESTATE REIT FUND
CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIODS ENDED 30 JUNE 2021
WITH INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT**

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT FOR THE CONDENSED INTERIM FINANCIAL STATEMENTS

To the Unitholders of Mulkia Gulf Real Estate REIT Fund

Introduction

We have reviewed the condensed interim statement of financial position of **Mulkia Gulf Real Estate REIT Fund** (the Fund) as at 30 June 2021 and the condensed interim statements of profit or loss and other comprehensive income, condensed interim statement of changes in net assets, and condensed interim statement of cash flows for the six-month period then ended and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), 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 condensed interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of condensed 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 as at 30 June 2021 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
Dr Abdelgadir Bannaga & Partners Company



Mohammed Bin Farhan Bin Nader
License No. 435

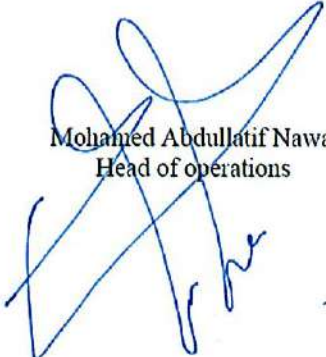
Riyadh, Saudi Arabia
Muharram 1, 1443 (9 August 2021)



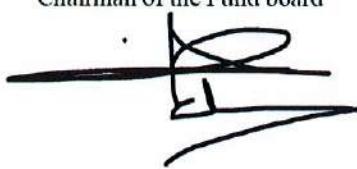
MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2021

		30 June 2021 (Unaudited)	31 December 2020 (Audited)
	Note	SAR	SAR
Assets			
Cash and cash equivalent	6	9,724,035	270,854,096
Investment properties, net	7	956,922,721	961,509,113
Accounts receivable from lease, net	8	37,741,076	31,282,128
Accrued revenue		8,648,478	7,446,394
Prepaid expenses and other debit balances		1,018,038	926,988
Total assets		1,014,054,348	1,272,018,719
Liabilities			
Long-term loan	9	341,959,984	601,594,668
Revenue received in advance	10	18,281,031	16,261,031
Due to a related party	11	5,919,458	6,020,208
Accrued expenses and other credit balances	12	1,190,092	6,447,883
Total liabilities		367,350,565	630,323,790
Equity attributable to Unitholders			
Net assets attributable to Unitholders		646,703,783	641,694,929
Issued units (numbers)		68,108,652	68,108,652
Net assets value per unit – book value		9.50	9.42
Net assets value per unit – fair value	13	9.84	9.74


 Mohamed Abdullatif Nawas
 Head of operations


 Omar bin Abdul Karim Al-Othaim
 Acting CEO-Fund Manager


 Sultan Mohammed Allhudaithi
 Chairman of the Fund board

The accompanying notes (1) to (21) form an integral part of these condensed interim financial statements.

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)**
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

	Note	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
		SAR	SAR
Revenues			
Leases revenues of investment properties, net		39,274,654	36,990,679
Other revenues		3,042	597,234
Total revenues		39,277,696	37,587,913
Expenses			
Fund management fees	11	(5,062,201)	(4,785,464)
Custodial fees		(121,216)	(106,543)
Depreciation of investment properties	7	(6,110,252)	(5,651,729)
Provision for expected credit losses	8	(3,225,186)	(843,938)
Finance charges		(4,706,798)	(7,732,032)
Acquisition fees	11	-	(2,015,000)
Finance structure fees	11	-	(830,000)
Capital structure fees	11	-	(806,000)
Other administrative expenses		(627,959)	(924,635)
Total expenses		(19,853,612)	(23,695,341)
Net profit from operations		19,424,084	13,892,572
Reverse of impairment/ (Impairment) of investment properties	7	1,249,760	(7,859,550)
Net profit for the period		20,673,844	6,033,022
Other comprehensive income		-	-
Total comprehensive income for the period		20,673,844	6,033,022

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MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

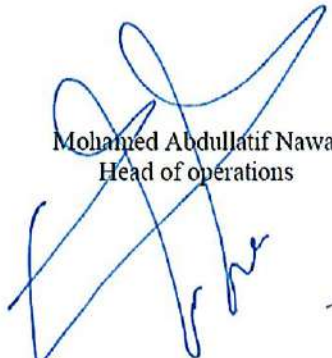
CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
	SAR	SAR
Net assets value, at the beginning of the period	641,694,929	573,878,182
Net profit for the period	20,673,844	6,033,022
Subscriptions during the period	-	80,600,000
Dividends during the period (Note 16)	(15,664,990)	(17,400,000)
Net assets value at the end of the period	646,703,783	643,111,204

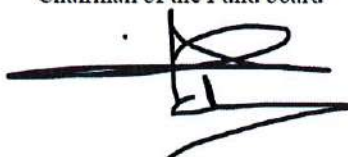
Unit transactions

Below is a summary of unit transactions for the period:

	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
	Units	Units
Units at the beginning of the period	68,108,652	60,000,000
Issued units during the period	-	8,108,652
Units at end of the period	68,108,652	68,108,652


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CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

	For the six-month period ended 30 June 2021 (Unaudited) SAR	For the six-month period ended 30 June 2020 (Unaudited) SAR
Cash flows from operating activities		
Net profit for the period	20,673,844	6,033,022
Adjustments to reconcile net profit for the period:		
Depreciation of investment properties	6,110,252	5,651,729
Finance charges	4,706,798	7,732,032
Provision for expected credit losses	3,225,186	843,938
Reverse of impairment/ (Impairment) of investment properties	(1,249,760)	7,859,550
Murabaha deposits returns	(3,042)	(25,805)
	<u>33,463,278</u>	<u>28,094,466</u>
Change in operating assets and liabilities		
Account receivable from lease	(9,684,134)	(11,854,497)
Accrued revenue	(1,202,084)	(1,202,084)
Prepaid expenses and other debit balances	(91,050)	2,247,602
Revenue received in advance	2,020,000	7,788,975
Due to a related party	(100,750)	(9,351,057)
Accrued expenses and other credit balances	(1,140,401)	168,318
Generated from operations	<u>23,264,859</u>	<u>15,891,723</u>
Finance charges paid	(8,824,188)	(6,920,436)
Net cash available from operating activities	<u>14,440,671</u>	<u>8,971,287</u>
Cash flows from investing activities		
Investment properties	(274,100)	(206,537,500)
Proceeds from Murabaha deposits	3,042	49,865
Net cash used in investing activities	<u>(271,058)</u>	<u>(206,487,635)</u>
Cash flows from financing activities		
Proceeds from long-term loan	83,000,000	83,000,000
Paid from long-term loan	(342,599,999)	-
Dividends	(15,664,990)	(17,400,000)
Proceeds from issuing units	-	80,600,000
Payment of deferred financing cost	(34,685)	(581,000)
Net cash (used in)/ available from financing activities	<u>(275,299,674)</u>	<u>145,619,000</u>
Net change in cash and cash equivalent	<u>(261,130,061)</u>	<u>(51,897,348)</u>
Cash and cash equivalent at the beginning of the period	<u>270,854,096</u>	<u>69,685,530</u>
Cash and cash equivalent at end of the period	<u>9,724,035</u>	<u>17,788,182</u>

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The accompanying notes (1) to (21) form an integral part of these condensed interim financial statements.

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

1- THE FUND AND ITS ACTIVITIES

Mulkia Gulf Real Estate REIT Fund (“the Fund”) is a Sharia-compliant closed public-traded listed real estate investment fund. The main objective of the Fund is to acquire pre-developed real estate properties to obtain regular and frequent rental income, or under construction no more than 25% of the total value of the fund’s assets, and distribute a minimum of 90% of the Fund’s net income to unitholders during the lifetime of the Fund at least once annually within 90 days after the financial year-end which ends on December 31.

The Fund started its operations on 16 Safar 1439 H (corresponding to 5 November 2017).

The Fund is managed by Mulkia Investment Company. The books and records of the Fund are maintained in Saudi Riyals.

The address of the Fund Manager is:

Mulkia Investment Company, Prince Muhammad Bin Abdulaziz Road - Al-Olaya area, P.O. Box 52775 - Riyadh 11573, Kingdom of Saudi Arabia.

2- REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations issued by the Board of the Capital Market Authority according to Resolution No. 1-193-2006 dated 19 Jumada II 1427 H corresponding to 15 July 2006 and amended by Resolution No. 2-22-2021 dated 12 Rajab 1442 H) Corresponding to 24 February 2021), the Fund is also subject to the investment fund regulations issued by the Capital Market Authority, the Capital Market Law and its executive regulations, and other relevant laws and regulations applicable in the Kingdom of Saudi Arabia.

3- BASIS OF PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

3-1 Accounting Standards Applied

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (34), “Interim Financial Reporting” which is endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

3-2 Preparation of Condensed Interim Financial Statements

The condensed interim financial statements have been prepared on a historical cost convention unless IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 5), and accordance with the accrual principle and going concern.

3-3 Functional And Presentation Currency

The condensed interim financial statements are presented in Saudi Riyals being the functional and presentation currency.

4- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

No new standards were issued, however, the application of the following amendments to the current standards as at 1 January 2021 does not have any material financial impact on the condensed interim financial statements of the Fund.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are applied by the Fund:

Use of estimates

The preparation of the condensed interim financial statements in conformity with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. These estimates and judgments are based on management’s best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which cannot be easily determined from other sources. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

Below are estimations and judgments that have a material impact on the amounts reported in the condensed interim financial statements:

-Going Concern

The management has evaluated the ability of the Fund to continue as a going concern and believes the Fund has sufficient resources to continue its business shortly. Also, the management has material uncertainty related to the ability of the Fund to continue as a going concern. Therefore, the financial statements are prepared based on the going concern.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (Continued)

- Estimation of useful lives of investment property

Management reviews the useful lives of investment property to calculate depreciation. These estimates are determined after taking into account the expected use of property, obsolescence, and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods if any-

- Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

- Impairment of Non-derivative Financial Assets

The Fund recognizes allowances for expected credit losses ("ECL") for financial assets measured at amortized cost such as trade accounts receivable. The Fund assesses future credit losses using the ECL model for financial assets measured at amortized cost. For trade accounts receivable, the Fund applies the simplified approach, which measures the loss allowance at an amount equal to lifetime expected credit losses for all trade accounts receivable since the initial recognition. To assess the ECL, accounts receivable are grouped based on shared risk characteristics and aging. The expected loss rates were calculated based on historical information of the Fund and adjusted to reflect the expected future results which include future information on macroeconomic factors such as inflation and GDP growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and applying the ECL model is considered insignificant.

- Fair value measurements of financial instruments including derivative financial instruments

When the fair value of the financial assets and liabilities in the condensed interim statement of financial position cannot be measured based on quoted prices in an active market, when IFRS require those assets or liabilities to be measured based on fair value, their fair value is determined using valuation techniques including using the present value of expected cash flows or any other techniques as stated in IFRS (13). The inputs to these techniques are taken from active markets, where possible. However, if this is not possible, a degree of judgment is required to determine the fair value and such estimates take liquidity risk, credit risk, and volatility into account. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments.

Classification of assets and liabilities from "current" to "non-current"

The Fund presents assets and liabilities in the condensed interim statement of financial position on a current / non-current basis. The assets are current as follows:

- When it is expected to be realized or is intended to be sold or consumed during the normal cycle of operations.
- If it is acquired primarily for the purpose of trading.
- When it is expected to be achieved within twelve months after the fiscal year, or
- When they are cash and cash equivalents unless there are restrictions on their replacement or use to pay any liabilities for a period of not less than twelve months after the financial year.
- All other assets are classified as "non-current".

All liabilities are currently as follows:

- When it is expected to be paid during the normal business cycle.
- If it is acquired primarily for the purpose of trading.
- When it matures within twelve months after the fiscal year, or
- When there is no unconditional right to defer the payment of liabilities for a period of not less than twelve months after the financial year.

All other liabilities are classified as "non-current".

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalent

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

Properties under development

Properties acquired, built, or under construction and development are classified as properties under development. The cost of properties under development includes the cost of land and other development costs. The property will be considered ready upon completion and delivery of all activities related to the property, including the infrastructure and facilities of the whole project. The Fund Manager reviews the carrying amounts of properties under development at the date of each condensed interim statement of financial position. Impairment losses, if any, are recognized if the carrying amount of the asset exceeded its net realizable value.

Investment properties

Investment properties are recognized at cost. Investment properties represent buildings and lands utilized by leasing, less accumulated depreciation, and any impairment losses if any. Lands are not depreciated. Buildings are depreciated on a straight-line basis over their useful lives which are as follows:

<u>Statement</u>	<u>Years</u>
Buildings	40 years

The fair value of investment properties is disclosed in the notes to the condensed interim financial statements.

Project under construction

The cost of projects under construction is calculated based on the actual cost and is shown as projects under construction until they are completed and then transferred to the various item within property, plant, and equipment to start than their depreciation.

Related party transactions

Related party

A related party is a person or entity associated with the Fund that prepares its condensed interim financial statements.

- A) If the person or a member of his family is closely related to the Fund whose condensed interim financial statements are prepared:
- Has joint control or control over the Fund preparing its condensed interim financial statements;
 - It has a material impact on the Fund preparing its financial statements. Or
 - He is a member of the top management of the Fund whose condensed interim financial statements are prepared or the parent Fund of the Fund that prepares its condensed interim financial statements.
- B) If the facility is related to the Fund that prepares its condensed interim financial statements if any of the following conditions are fulfilled:
- The establishment and the Fund that prepares its condensed interim financial statements are members of the same Fund (which means that both the parent Fund, subsidiaries, and associates have a relationship with the other).
 - One of the two companies is a joint venture of a third Fund and the other Fund is an associate of the third Fund.
 - A Fund is a post-employment benefit plan for the employees of any Fund that prepares its financial reports or a Fund related to the Fund that prepares its condensed interim financial statements. If the Fund preparing its financial statements is the same as preparing those plans, the sponsoring work sponsors are also related to the Fund that prepares its condensed interim financial statements.
 - The person identified in paragraph (a) (1) has a material influence on the Fund or is a member of the top management in the Fund (or the parent Fund).
 - The Fund or any member of the Fund provides part of the services of senior management employees of the Fund that prepares its condensed interim financial statements or to the parent Fund of the Fund that prepares its condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that relate directly to the purchase or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the statement of profit or loss) are added to the fair value of financial assets and financial liabilities or deducted from them, as appropriate, upon initial recognition. Transaction costs that are directly related to the purchase of financial assets and liabilities and are measured at fair value through the statement of profit or loss are recognized directly in the condensed interim statement of profit or loss.

First: Financial assets

Financial assets are classified into the following specified categories: financial assets ' fair value through profit or loss (FVTPL), ' financial assets ' fair value through other comprehensive income, and financial assets at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular-way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as held for trading, or it is designated at FVTPL by the Fund.

A financial asset is classified as held for trading if:

- It has been acquired principally for selling it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in the condensed interim statement of profit or loss.

Dividends or interest earned on the financial asset are recognized in the condensed interim statement of profit or loss.

B) Financial assets acquired at amortized cost

Receivables including trade and other receivables, bank balances, and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in the condensed interim statement of profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The Fund applies the simplified approach in the IFRS 9 to measure expected credit losses and makes provision for lifetime expected credit losses.

Second: Financial liabilities

Financial liabilities (including borrowings and trade payables) are initially and subsequently measured at amortized cost using the effective interest method.

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, canceled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the condensed interim statement of profit or loss.

-Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment in the value of assets

Impairment losses in the value of tangible assets, if any, are recognized in the statement of profit or loss if the carrying amount of the asset exceeded the When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as revenue immediately in the condensed interim statement of profit or loss.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed or not by suppliers.

Zakat and Income tax

Zakat and income tax are the obligation of the Unitholders and are not provided any provision for in these accompanying condensed interim financial statements.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, the Fund will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Net Assets Value

Net assets value per unit, as disclosed in the condensed interim statement of net assets is calculated by dividing the net assets of the Fund by the numbers of units in issue as at the year-period.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Revenue Recognition

The fund recognizes revenues from contracts concluded with customers according to the five-step method, as follows:

Step 1: Identify the contract with the customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation.

Revenue from sales of investments properties is recognized when significant risks and rewards of ownership are transferred to the buyer under a legal title deed or by a binding legal declaration when the amount of revenue can be collected and measured reliably.

Rental income from operating leases of investment properties is recognized on a straight-line basis over the term of the relevant lease or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Other revenue is recognized when realized.

Expenses

Expenses are recognized on an accrual basis and the Fund Manager fees are charged at an agreed rate with the Fund Manager. These expenses are calculated on a Semi-annual basis and these expenses are charged to the condensed interim statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets until the assets are substantially ready for their intended use. Otherwise, these costs are charged to the condensed interim statement of profit or loss.

Foreign Currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the condensed interim statement of financial position date. Gains and losses from settlement and translation of foreign currency transactions are included in the condensed interim statement of profit or loss.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

6- CASH AND CASH EQUIVALENT

	30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Bank balances	9,724,035	267,854,096
Murabaha deposits	-	3,000,000
	9,724,035	270,854,096

7- INVESTMENT PROPERTIES, NET

The following are the components of investments properties at historical cost:

	Buildings on lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
Cost				
Balance as at 1 January 2021	504,179,900	488,550,588	15,562,500	1,008,292,988
Additions during the period	-	274,100	-	274,100
Balance as at 30 June 2021	504,179,900	488,824,688	15,562,500	1,008,567,088
Accumulated depreciation				
Balance as at 1 January 2021	-	28,592,974	-	28,592,974
Charged to the period	-	6,110,252	-	6,110,252
Balance as at 30 June 2021	-	34,703,226	-	34,703,226
Impairment of investment properties as at 30 June 2021	(12,059,971)	(4,776,896)	(104,274)	(16,941,141)
Net carrying amount As at 30 June 2021	492,119,929	449,344,566	15,458,226	956,922,721

	Buildings on lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
Cost				
Balance as at 1 January 2020	407,543,606	378,649,382	15,562,500	801,755,488
Additions during the year	96,636,294	109,901,206	-	206,537,500
Balance as at 31 December 2020	504,179,900	488,550,588	15,562,500	1,008,292,988
Accumulated depreciation				
Balance as at 1 January 2020	-	16,830,395	-	16,830,395
Charged to the year	-	11,762,579	-	11,762,579
Balance as at 31 December 2020	-	28,592,974	-	28,592,974
Impairment of investment properties as at 31 December 2020	(12,383,268)	(5,703,359)	(104,274)	(18,190,901)
Net carrying amount As at 31 December 2020	491,796,632	454,254,255	15,458,226	961,509,113

Investment properties are recorded at historical cost. The fair value of the investment properties has been determined based on the average of two valuations of market value made by independent valuation experts (Note 13). These values are based on estimates by independent valuers due to the uncertainty of estimates.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

7- INVESTMENT PROPERTIES, NET (CONTINUED)

The movement of the impairment in the value of investments properties is as follows:

	30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Balance at the beginning of the period/ year	18,190,901	14,921,790
(Reverse during the period) / provided during the year	(1,249,760)	3,269,111
Balance at the end of the period/year	16,941,141	18,190,901

During June 2021, the Fund evaluated the investment properties which resulted in reverse of impairment losses in the value of these investments during the year ended 30 June 2021 amounting to SAR 1,249,760 (For the year ended 31 December 2020: impairment losses amounting to SAR 3,269,111).

Investment properties are as follows:

- West Avenue Building: It is a commercial building (Mall) in Al-Faisaliah district, Dammam.
- The Elite "Elite Mall": A complex of restaurants, cafes, and offices on Prince Abdulaziz Bin Mosaed bin Jiluwi Road in Sulaymaniyah district in Riyadh.
- Vivienda Complex: It is a hotel villas complex located in Prince Faisal bin Fahd bin Abdulaziz Road in, Al-Hada district, Riyadh.
- Dinar Commercial Building: It is a commercial building in the Al-Zahra District, Jeddah.
- Teqnia Industrial Commercial Complex: It is an industrial and commercial complex consisting of five auto maintenance centers, two auto showrooms, and a spare parts center located in the southeast of Riyadh.
- The First Room Hotel Apartments building: It is a building licensed as a furnished "3-star" accommodation facility in An Namudhajiya District in Riyadh.
- Al-Yasmeen Building: It is a residential building in the Al-Yasmeen district, north of Riyadh.
- Al-Sheraa district project: It is a commercial building project in Al-Sheraa district, Jeddah. It is included in under-construction projects. Work is still ongoing to deliver public facilities to the property and complete necessary licenses.
- Khamis Mushait Building: It is a restaurant in Khamis Mushait.
- Obhur Building: It is a restaurant building in Obhur Al Shamaliyah district, Jeddah.

The title deeds of the properties are registered in the name of Tamdeen Real Estate Company, a company established for the purpose of maintaining and recording the Fund's assets, according to CMA resolution No. 1/6/4902/17 dated 28 September 2017. All title deeds of properties invested by the Fund have been mortgaged with a minimum coverage ratio of 200% of the total facilities in favor of Al-Rajhi Bank for the loan obtained by the fund (note 9).

8- ACCOUNTS RECEIVABLE FROM LEASE, NET

	30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Accounts receivable from lease	47,775,009	38,090,875
Less;		
Provision for expected credit losses	(10,033,933)	(6,808,747)
	37,741,076	31,282,128

The movement on the expected credit losses is as follows:

	30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Balance at beginning of the period/ year	6,808,747	381,938
Provided during the period/ year	3,225,186	6,426,809
Balance at end of the period/ year	10,033,933	6,808,747

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

9- LONG-TERM LOAN

In 2018, the Fund obtained a credit facility amounting to SAR 300,000,000 from Al Bilad Bank to finance the activities of the Fund. The facility is mortgaged against the title deeds properties invested by the Fund which are registered in the name of Al Bilad Real Estate Company with a minimum coverage ratio of 175% of the total facility. On 19 November 2019, the credit facility was increased to be the total facility of SAR 600,000,000. The facility was paid in full during the period ended on 30 June 2021.

Also, a credit facility was obtained from Al-Rajhi Bank of SAR 600,000,000 on 29 December 2020, to finance the activities of the fund and repay the balance of the existing loan at Bank Albilad, by guaranteeing the mortgage of the real estate deeds invested in the fund with a coverage ratio of not less than 200% of the value of the total facilities (Note 7). Where the user reached from the facility as at 30 June 2021, an amount of SAR 342,600,001 provided that he pays all the amounts due after seven years from the date of the first withdrawal.

The movement in financing facility is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	SAR	SAR
Balance at beginning of the period/ year	602,200,000	259,600,000
Proceed during the period/ year	83,000,000	342,600,000
Total proceeds from financing	685,200,000	602,200,000
Paid during the period/ year	(342,599,999)	-
	342,600,001	602,200,000
Less;		
Deferred financing cost	(640,017)	(605,332)
	341,959,984	601,594,668

10- REVENUE RECEIVED IN ADVANCE

Revenue received in advance represents investment properties' lease revenue that does not belong to the period ended 30 June 2021 and this revenue amounted to SAR 18,281,031 (31 December 2020: SAR 16,261,031).

11- RELATED-PARTY TRANSACTIONS

Related parties to the Fund comprise Unitholders, Fund Manager, members of the board of directors, and other funds managed by the Fund Manager. In the ordinary course of business, the Fund transacts with related parties. The related parties' transactions are governed by the regulations issued by CMA. All transactions with the related parties are approved by the Fund's Board of Directors. The Fund pays the Fund Manager a management fee of 1% per annum calculated on the net assets of the Fund calculated and paid half-yearly to calculate management fees is based on the fair value of the investment in real estate properties. (Note 13). The Fund pays the following fees as well:

- Capital structure fees: The Fund Manager or any other party who arranges the capital structure charges the Fund a fee up to 1% of the total of any subscription amounts collected during future offering periods or upon collecting any other subscription amounts, whether in cash (by issuing priority rights) or in kind. The capital structuring fee is paid once, immediately after closing any capital-raising process.
- Finance structure fees: The Fund Manager or any other party charges the Fund a financing structuring fee up to 1% of the total amount withdrawn under any bank facilities.
- Acquisition fee: The Fund Manager charges the Fund a one-time acquisition fee of up to 1% of the sale or acquisition value of any real estate asset throughout the term of the Fund.

A) significant transactions with the related party during the period:

Related party	Nature of transaction	Size of the transaction	
		For the period ended 30 June 2021 (Unaudited)	For the period ended 30 June 2020 (Audited)
		SAR	SAR
Mulkia Investment Company	Fund management fees	5,062,201	4,785,464
	Acquisition fees	-	2,015,000
	Finance structure fees	-	830,000
	Capital structure fees	-	806,000

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

11- RELATED-PARTY TRANSACTIONS (CONTINUED)

B) Below are balances due to a related party as at 30 June:

Related party	Nature of transaction	30 June 2021	31 December 2020
		(Unaudited)	(Audited)
		SAR	SAR
Mulkia Investment Company	Management fees	5,821,531	5,819,259
	Expenses paid on behalf	97,927	200,949
		<u>5,919,458</u>	<u>6,020,208</u>

12- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	SAR	SAR
Accrued financing charges	822,734	4,940,124
Advance payments from clients	222,163	1,380,821
Accrued fees	64,358	61,938
Accrued expenses	15,000	15,000
Others	65,837	50,000
	<u>1,190,092</u>	<u>6,447,883</u>

13- THE IMPACT ON NET ASSETS IF INVESTMENT PROPERTIES ARE MEASURED AT FAIR VALUE

According to article 36 of Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the Fund Manager is responsible for performing fair valuation to fund assets based on an evaluation prepared by two evaluators. As stated in the Fund's terms and conditions, the net assets value and management fees are calculated based on the market value obtained. According to IFRS endorsed in Saudi Arabia, investment properties are stated at the lower of cost or net realizable value in these condensed interim financial statements.

The fair value of investment properties is determined based on the evaluation performed by two evaluators: Valie and Partner for Real Estate Valuation and Evaluation (An independent valuer accredited by the Saudi Authority for Accredited Valuers), license No. 1210001114 and Estmad real estate Valuation office, license No. 1210000037 (An independent valuer accredited by the Saudi Authority for Accredited Valuers). As at 30 June 2021, the average valuation of investment properties amounted to SAR 980,69 million (31 December 2020: SAR 983,20 million).

1- The following is an analysis of the impact of the fair value of investments properties on the net assets of the fund:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	SAR	SAR
Fair value of investment properties	980,691,842	983,195,758
Net carrying amount of investment properties (note 7)	(956,922,721)	(961,509,113)
Unrealized gains determined based on real estate valuation	23,769,121	21,686,645
Issued units	68,108,652	68,108,652
Unit share in unrealized gains based on real estate valuation	<u>0.35</u>	<u>0.32</u>

2- Below is the analysis of net assets using fair value:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	SAR	SAR
Net assets value at cost presented in these condensed interim financial statements	646,703,783	641,694,929
Unrealized gains determined based on real estate valuation (note 13-1)	23,769,121	21,686,645
Net assets value at fair value	<u>670,472,904</u>	<u>663,381,574</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

13- THE IMPACT ON NET ASSETS IF INVESTMENT PROPERTIES ARE MEASURED AT FAIR VALUE (CONTINUED)

3- Below is the analysis of net assets per unit using the fair value of properties:

	30 June 2021 (Unaudited) SAR	31 December 2020 (Audited) SAR
Net assets value per unit at cost presented in these condensed interim financial statements	9.50	9.42
Impact on net assets value per unit as a result of unrealized gains determined based on real estate valuation (note 13-1)	0.35	0.32
Net assets value per unit at fair value	9.84	9.74

14- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Financial instruments consist of financial assets and financial liabilities.

The Fund follows the following hierarchy to determine the fair value of investment properties and to disclose them:

Level 1: Quoted prices in active markets for the identical property (without adjustment or addition).

Level 2: Quoted prices in an active market for similar assets and liabilities or other valuation techniques, which are all significant inputs based on observable market data:

Level 3: Valuation techniques where significant inputs are not based on observable market data.

The valuation of the fair value of investment properties is at level 3.

15- RISK MANAGEMENT

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 Manager seeks to reduce credit risk through periodic monitoring of any outstanding receivables. Cash is also deposited with a local bank with a high credit rating.

Commission rate risk

It is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates in the market. Fund Manager Monitors changes in commission rates in the market and their impact on the Fund's activities.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Fund Manager monitors the currency rate changes and believes that the impact of currency rate changes on the Fund is not significant as the Fund primarily deals in Saudi Riyal.

Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the Fund commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the fund, the fund maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The fund avoids financing long-term capital requirements and its activities related to current accounts with related parties through short-term borrowings. The fund has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities on time.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED)

15- RISK MANAGEMENT (CONTINUED)

Below are the maturities of assets and liabilities as at 30 June 2021:

	less than one year SAR	From 1 year to 5 years SAR	More than 5 years SAR	Total SAR
Assets				
Accounts receivable from lease, net	37,741,076	-	-	37,741,076
Accrued revenue	-	52,200	8,596,278	8,648,478
Prepaid expenses and other debit balances	1,018,038	-	-	1,018,038
Total	38,759,114	52,200	8,596,278	47,407,592
Liabilities				
Long-term loan	-	-	341,959,984	341,959,984
Revenue received in advance	18,281,031	-	-	18,281,031
Due to a related party	5,919,458	-	-	5,919,458
Accrued expenses and other credit balances	1,190,092	-	-	1,190,092
Total	25,390,581	-	341,959,984	367,350,565

Below are the maturities of assets and liabilities as at 31 December 2020:

	less than one year SAR	From 1 year to 5 years SAR	More than 5 years SAR	Total SAR
Assets				
Accounts receivable from lease, net	38,090,875	-	-	38,090,875
Accrued revenue	-	-	7,446,394	7,446,394
Prepaid expenses and other debit balances	926,988	-	-	926,988
Total	39,017,863	-	7,446,394	46,464,257
Liabilities				
Long-term loan	342,513,868	-	259,080,800	601,594,668
Revenue received in advance	16,261,031	-	-	16,261,031
Due to a related party	6,020,208	-	-	6,020,208
Accrued expenses and other credit balances	6,447,883	-	-	6,447,883
Total	371,242,990	-	259,080,800	630,323,790

16- DIVIDEND

During the period ended 30 June 2021, the fund manager decided to distribute profits with an amount of SAR 15,664,990 as those distributions was announced on 18 January 2021, in the amount of SAR 6,810,865 and on 13 April 2021, of SAR 8,854,125 (31 December 2020: SAR 31,021,730).

17- LAST VALUATION DATE

The last evaluation day of the year was 30 June 2021 (for the six-month period ended 30 June 2020: 30 June 2020).

18- GENERAL

The figures in these accompanying condensed interim financial statements are rounded to the nearest Saudi Riyal.

19- IMPORTANT MATTERS DURING THE YEAR

Due to the spread of coronavirus (COVID-19) in the region and in the world, which is considered a pandemic disrupting commercial and economic activities internationally and locally in the Kingdom Further, the Fund Manager is unable to determine the future impact of such events on the condensed interim financial statements of the Fund and its results as they are linked to decisions of the government. It is not possible to determine the extent of this crisis, and government officials will continue to monitor the situation and provide stakeholders with developments as required by the laws and regulations.

20- SUBSEQUENT EVENTS

In the opinion of the management, there were no other significant events after 30 June 2021 that are expected to have a significant impact on these condensed interim financial statements as of 30 June 2021.

21- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the Fund on Muharram 1, 1443 (9 August 2021).