

**MULKIA – GULF REAL ESTATE REIT FUND**  
Closed Public Traded Listed Real Estate Investment Fund  
Takes the Form of a Special Purpose Entity  
**(Managed By Mulkia Investment Company)**  
**Interim Condensed Financial Statements (Unaudited)**  
**For The Six-Month Period Ended 30 June 2022**  
Together With The  
**Independent Auditor's Review Report to the Unitholders**

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**Interim Condensed Financial Statements (Unaudited)**  
**For the Six-Month Period Ended 30 June 2022**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

(1 / 1)

TO THE UNITHOLDERS OF  
MULKIA – GULF REAL ESTATE REIT FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of MULKIA – GULF REAL ESTATE REIT FUND (the “Fund”) “takes the form of a special purpose entity” managed by Mulkia Investment Company (the “Fund Manager”) as at 30 June 2022 and the related interim statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed financial statements”). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

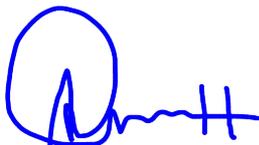
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed 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 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



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**MULKIA – GULF REAL ESTATE REIT FUND**  
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**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UN-AUDITED)**

As at 30 June 2022

	<u>Note</u>	<b>30 June 2022</b> <b>(Un-audited)</b>	31 December 2021 <b>(Audited)</b>
		SAR	SAR
<b><u>ASSETS</u></b>			
Cash and cash equivalents	5	<b>11,584,651</b>	16,835,710
Investment properties, net	6	<b>1,271,243,063</b>	949,086,381
Account receivable from lease, net	7	<b>41,743,412</b>	33,082,532
Accrued revenue		<b>8,469,825</b>	9,850,562
Prepaid expenses and other debit balances		<b>1,364,764</b>	844,419
<b>TOTAL ASSETS</b>		<b>1,334,405,715</b>	1,009,699,604
<b><u>LIABILITIES</u></b>			
Long –term loan	8	<b>576,081,414</b>	342,009,210
Unearned rental income	9	<b>16,290,933</b>	17,633,010
Due to related party	11	<b>8,025,407</b>	5,930,166
Account payables	10	<b>121,893,507</b>	-
Accrued expenses and other payables	12	<b>7,253,164</b>	3,152,740
Zakat provision	13	<b>182,985</b>	2,123,859
<b>TOTAL LIABILITIES</b>		<b>729,727,410</b>	370,848,985
<b>Net assets attributable to the Unitholders</b>		<b>604,678,305</b>	638,850,619
<b>Units in issue (numbers)</b>		<b>68,108,652</b>	68,108,652
<b>Book value of assets per the unit</b>		<b>8.88</b>	9.38
<b>Fair value of assets per the unit</b>	14	<b>9.35</b>	9.91

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

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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**For the six-month period ended 30 June 2022**

	<u>Note</u>	<b>30 June 2022</b> <b>(Un-audited)</b> <b>SAR</b>	<b>30 June 2021</b> <b>(Un-audited)</b> <b>SAR</b>
<b><u>Revenues</u></b>			
Leases revenues of investment properties, net		<b>32,630,079</b>	39,274,654
Revenue from hotels operations		<b>2,720,267</b>	
Other income		-	3,042
<b>Total revenue</b>		<b>35,350,346</b>	39,277,696
<b><u>Expenses</u></b>			
Fund management fees		<b>(5,906,187)</b>	(5,062,201)
Custody fee		<b>(142,843)</b>	(121,216)
Provision for expected credit losses		-	(3,225,186)
Investment properties depreciation		<b>(8,638,248)</b>	(6,110,252)
Finance charges		<b>(8,029,992)</b>	(4,706,798)
Financing structuring fees		<b>(2,290,895)</b>	-
Dealing fees		<b>(2,131,065)</b>	-
Other administrative expenses		<b>(891,706)</b>	(627,959)
<b>Total expenses</b>		<b>(28,030,936)</b>	(19,853,612)
<b>Net profit from operations for the period</b>		<b>7,319,410</b>	19,424,084
(Impairment) /reverse of impairment in investment properties	6	<b>(20,195,057)</b>	1,249,760
<b>Net (loss) /profit for the period before zakat</b>		<b>(12,875,647)</b>	20,673,844
Zakat	13	<b>(182,985)</b>	-
<b>Net (loss) /profit for the period after zakat</b>		<b>(13,058,632)</b>	20,673,844
Other comprehensive income		-	-
<b>Total comprehensive (loss) / comprehensive income for the period</b>		<b>(13,058,632)</b>	20,673,844

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

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**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**ATTRIBUTABLE TO THE UNIT HOLDERS (UN-AUDITED)**  
**For the six month-period ended 30 June 2022**

	<u>Note</u>	<u>30 June 2022</u> <u>(Un-audited)</u>	<u>30 June 2021</u> <u>(Un-audited)</u>
		SAR	SAR
<b>Net asset (Equity) value attributable to the unitholders at beginning of the period</b>		<b>638,850,619</b>	641,694,929
<b>The value of assets attributable to unit holders at the end of the period</b>		<b>638,850,619</b>	641,694,929
Dividends	18	<b>(21,113,682)</b>	(15,664,990)
Net comprehensive (loss) / comprehensive income for the period		<b>(13,058,632)</b>	20,673,844
<b>Net asset (Equity) value attributable to the unitholders at end of the period</b>		<b>604,678,305</b>	646,703,783

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**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)**  
**For the six-month period ended 30 June 2022**

	<b>30 June 2022</b>	30 June 2021
	<b>(Un-audited)</b>	(Un-audited)
	SAR	SAR
<b><u>OPERATING ACTIVITIES</u></b>		
Net (loss)/ income for the period before zakat	(12,875,647)	20,673,844
<b>Adjustment to reconcile net income to net cash from operating activities:</b>		
Investment properties depreciation	8,638,248	6,110,252
Finance charges	8,029,992	4,706,798
Provision for expected credit losses	-	3,225,186
Impairment/ (Reverse) of Investment properties	20,195,057	(1,249,760)
Murabaha deposits returns	-	(3,042)
	<b>23,987,650</b>	33,463,278
<b>Changes in operating assets and liabilities:</b>		
Account receivable from lease	(8,660,880)	(9,684,134)
Accrued revenue	1,380,737	(1,202,084)
Prepaid expenses and other debit balances	(520,345)	(91,050)
Unearned rental income	(1,342,077)	2,020,000
Due to related party	2,095,241	(100,750)
Account payables	121,893,507	-
Accrued expenses and other payables	343,766	(1,140,401)
Finance charges paid	(4,991,209)	(8,824,188)
Zakat paid	(2,123,859)	-
<b>Net cash generated from operating activities</b>	<b>132,062,531</b>	<b>14,440,671</b>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of investment properties	(350,989,987)	(274,100)
Proceeds from Murabaha deposits	-	3,042
<b>Net cash used in investing activities</b>	<b>(350,989,987)</b>	<b>(271,058)</b>
<b><u>FINANCING ACTIVITIES</u></b>		
Proceeds from loans -Long Term	234,790,079	83,000,000
paid from loans - Long Term	-	(342,599,999)
Dividends	(21,113,682)	(15,664,990)
Payment of deferred financing cost	-	(34,685)
<b>Net cash generated from/ (used in) financing activities</b>	<b>213,676,397</b>	<b>(275,299,674)</b>
<b>Change in Cash and cash equivalents during the period</b>	<b>(5,251,059)</b>	<b>(261,130,061)</b>
Cash and cash equivalents at the beginning of the period	16,835,710	270,854,096
<b>Cash and cash equivalents at the end of the period</b>	<b>11,584,651</b>	<b>9,724,035</b>

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2022**

**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 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 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).

During 2020, additional units were issued in exchange for in-kind contributions, where the number of issued units amounted to 8,108,652 units, and the subscription price of the unit was 9.94 Saudi riyals, where the total proceeds from issuing the units amounted to 80,600,000 Saudi riyals.

During 2021, the fund's board of directors and Capital Market Authority ("CMA") issued approval for a non-basic change in the fund (the completion of the procedures for converting Mulkia - Gulf Real Estate REIT fund into Closed Traded Real Estate Investment Fund that takes the form of a special purpose entity).

During 2021, the Zakat, Tax and Customs ("ZATCA") Authority approved the voluntary registration of real estate investment traded funds. The authority stipulated the existence of a legal person (a special purpose entity) for investment funds wishing to register with it to submit their returns and pay zakat. The Capital Market Authority ("CMA") announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations so that fund managers wishing to obtain a special purpose facility license can apply to the Authority from the date these regulations come into force on May 1, 2021.

The Fund is managed by Mulkia Investment Company.

The address of the Fund Manager is: Mulkia Investment Company, Prince Abdulaziz bin Musaed bin Jalawi Street - The Elite Mall Complex Building No. 8565 First Floor - Sulaymaniyah District, PO Box 52775, Riyadh 12234, Kingdom of Saudi Arabia.

**2. REGULATING AUTHORITY**

The Fund is subject to the Real Estate Investment Funds Regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. 1-193-2006 dated 19 Jumada II 1427 H (corresponding to July 15,2006) and amended by Resolution No. 2-22-2021 dated Rajab 12,1442 H (corresponding to February 24,2021 G).

**3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

**3.1 Statement of compliance**

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed financial statements have been prepared on the historical cost basis, and have been revised, using the accrual basis of accounting.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2022**

**3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**3.2 Functional and presentation currency**

Items included in the interim condensed financial statements are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These financial statements are presented in (“SAR”) which is the Fund’s functional and presentation currency

*Transactions and balances*

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated into Saudi riyals using exchange rates.

As on the date of the interim statement of financial position, profits and losses resulting from the exchange rate conversion are included in the statement of comprehensive income.

**3.3 New standards, interpretations and amendments**

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2021. There are new standards, amendments and interpretations that will be applied for the first time in 2022, but that do not have an impact on the interim condensed financial statements of the fund.

There are many other amendments and interpretations issued and not yet effective on the date of issuance of the Fund's interim condensed financial statements. The Fund Board of Directors believes that these amendments and interpretations will not have a material impact on the interim condensed financial statements of the Fund. The Fund intends to apply these amendments and interpretations, if any.

**4. Critical accounting judgments, estimates and assumption**

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund’s accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2021, except for the estimate described below:

***Measurement of the expected credit loss allowance***

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

**5. CASH AND CASH EQUIVALENTS**

	<b>30 June 2022</b> <b>(Un-audited)</b>	<b>31 December 2021</b> <b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Cash at bank	<u><b>11,584,651</b></u>	<u>16,835,710</u>
	<u><b>11,584,651</b></u>	<u>16,835,710</u>

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2022**

**6. INVESTMENT PROPERTIES, NET**

	<b>Land</b>	<b>Building</b>	<b>Projects under construction</b>	<b>Total</b>
<b><u>Cost</u></b>				
Balance beginning of the period	504,179,900	489,273,917	15,572,500	1,009,026,317
Additions during the period	<b>90,450,750</b>	<b>260,532,237</b>	<b>7,000</b>	<b>350,989,987</b>
<b>Balance as of 30 June 2022</b>	<b>594,630,650</b>	<b>749,806,154</b>	<b>15,579,500</b>	<b>1,360,016,304</b>
<b><u>Accumulated Depreciation</u></b>				
Balance beginning of the period	-	(40,813,476)	-	(40,813,476)
Charge for the period	-	<b>(8,638,248)</b>	-	<b>(8,638,248)</b>
<b>Balance as of 30 June 2022</b>	-	<b>(49,451,724)</b>	-	<b>(49,451,724)</b>
<b><u>Impairment</u></b>				
Balance beginning of the period	(11,678,769)	(3,608,031)	(3,839,660)	(19,126,460)
Charge for the period	<b>(7,548,793)</b>	<b>(12,829,424)</b>	<b>183,160</b>	<b>(20,195,057)</b>
<b>Balance as of 30 June 2022</b>	<b>(19,227,562)</b>	<b>(16,437,455)</b>	<b>(3,656,500)</b>	<b>(39,321,517)</b>
<b><u>Book Value:</u></b>				
<b>Balance as of 30 June 2022</b>	<b>575,403,088</b>	<b>683,916,975</b>	<b>11,923,000</b>	<b>1,271,243,063</b>
Balance as of 31 December 2021	492,501,131	444,852,410	11,732,840	949,086,381

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 14). These values are based on estimates by independent valuers due to the uncertainty of estimates.

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 Musaed 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, AlHada district, Riyadh.
- Dinar Commercial Building: It is a commercial building in the Al-Zahra District, Jeddah.
- Tegnia 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.
- Furnished apartments building in the Namudhajiya district : 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 two 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.

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**6. INVESTMENT PROPERTIES, NET (CONTINUED)**

- Khamis Mushait Building It consists of two buildings dedicated to restaurants and cafes in Khamis Mushait.
- Obhur Building: It is a restaurant building in Jeddah, Obhur Al Shamaliah district.
- Aljada Hotel Complex: It is a commercial hotel complex located in the Qurtoba district in Riyadh (note 10).

The title deeds of the Investment Properties are registered in the name of Tamdeen First Real Estate Company, a company established for the purpose of legally holding the assets of the Fund in according to CMA resolution No. 1/6/4902/17 dated September 28, 2017. The Investment Properties of the fund are mortgaged in favor of Al-Rajhi Development Company Ltd. (a subsidiary of Al-Rajhi Bank) with coverage rate of no less than 200% of the total facilities as a guarantee for the financing granted to the Fund, provided that the mortgage of these sukuks will be released after the full value of AL-Rajhi Bank loan has been paid (note 8).

**7. ACCOUNT RECEIVABLE FROM LEASE, NET**

	<b>30 June 2022</b> <b>(Un-audited)</b>	31 December 2021 <b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Account receivable from lease	<b>49,956,605</b>	49,247,923
Less:		
Provision for expected credit losses	<b>(8,213,193)</b>	(16,165,391)
	<b>41,743,412</b>	<b>33,082,532</b>

The movement on the expected credit losses is as follows:

	<b>30 June 2022</b> <b>(Un-audited)</b>	31 December 2021 <b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Balance beginning of the period / year	<b>16,165,391</b>	6,808,747
Charge during the period / year	-	9,356,644
Bad debts during the period / year	<b>(7,952,198)</b>	-
Balance at the end of the period / year	<b>8,213,193</b>	<b>16,165,391</b>

**8. 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 year.

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 Albilad Bank, 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 2022, an amount of SAR 577,390,074 provided that he pays all the amounts due after seven years from the date of the first withdrawal.

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**For the six-month period ended 30 June 2022**

**8. LONG –TERM LOAN (CONTINUED)**

The movement in financing facility is as follows:

	<b>30 June 2022</b> <b>(Un-audited)</b>	31 December 2021 <b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Balance beginning of the period / year	<b>342,599,995</b>	602,200,000
Charge during the period / year	<b>234,790,079</b>	83,000,000
<b>Total proceed from financing</b>	<b>577,390,074</b>	685,200,000
Paid during the period / year	-	(342,600,005)
	<b>577,390,074</b>	<b>342,599,995</b>
Less:		
Deferred financing cost	<b>(1,308,660)</b>	(590,785)
	<b>576,081,414</b>	<b>342,009,210</b>

**9. UNEARNED RENTAL INCOME**

Unearned rental income represents investment properties' lease revenue that does not belong to the period ended 30 June 2022 and this revenue amounted to SAR 16,290,933 (31 December 2021: SAR 17,633,010).

**10. ACCOUNT PAYABLES**

Accounts payable represent the value of the amounts owed to the Fund in return for the acquisition of Aljada Hotel Complex, which take place during the period ending on June 30, 2022 AD, where the value of the entire property amounted to 335,000,000 riyals, and 63.61% of the property value was paid as a first stage, with a value of 213,106,493 excluding tax. The remaining part of the property price is 36.39%, amounting to 121,893,507 riyals, excluding tax, through two methods:

- Issuing and allocating units for the benefit of the sellers, each according to the percentage of his ownership in the real estate, equivalent to a value of 35,000,000 riyals
- offering cash to the public or bank financing to cover the remaining amount.

**11. TRANSACTIONS AND BALANCE WITH RELATED PARTIES**

Related parties to the Fund comprise 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, for the purpose of calculating management fees is based on the fair value of the investment in real estate properties. (Note 14). 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. 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.

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**11. TRANSACTIONS AND BALANCE WITH RELATED PARTIES (CONTINUED)**

A) Significant transactions with the related parties during the period:

Related Party	Nature of transaction	Amount of transaction during the period	
		30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
		SAR	SAR
Mulkia Investment Company	Management fees	5,906,187	5,062,201
	Financing structuring fees	2,290,895	-
	Dealing fees	2,131,065	-

B) Below are balances due to a related party:

Related Party	Nature of transaction	Closing balance (Credit)	
		30 June 2022 (Un-audited)	31 December 2021 (Audited)
		SAR	SAR
Mulkia Investment Company	Management fees	7,644,647	5,852,533
	Expenses paid on behalf	380,760	77,633
		<b>8,025,407</b>	<b>5,930,166</b>

**12. ACCRUED EXPENSES AND OTHER PAYABLES**

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
	SAR	SAR
Accrued finance charges	6,715,985	2,959,328
Accrued custody fee	74,679	71,067
Accrued expenses	162,500	30,000
Others	300,000	92,345
	<b>7,253,164</b>	<b>3,152,740</b>

**13. ZAKAT**

During 2021, the Zakat, Tax and Customs ("ZATCA") Authority approved the voluntary registration of real estate investment traded funds. The authority stipulated the existence of a legal person (a special purpose entity) for investment funds wishing to register with it to submit their returns and pay zakat. The Capital Market Authority ("CMA") announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations so that fund managers wishing to obtain a special purpose facility license can apply to the Authority from the date these regulations come into force on May 1, 2021.

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**13. ZAKAT (CONTINUED)**

The movement in the provision for zakat is as follows:

	<b>30 June 2022</b> <b>(Un-audited)</b>	31 December 2021 <b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Balance beginning of the period / year	<b>2,123,859</b>	-
Charge during the period / year	<b>182,985</b>	1,425,499
Zakat of previous years	-	698,360
Paid during the period / year	<b>(2,123,859)</b>	-
<b>Balance at the end of the period / year</b>	<b>182,985</b>	<b>2,123,859</b>

**14. EFFECT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED**

According to 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 is calculated based on the market value obtained. According to the fund's accounting policy, investment properties are stated at cost less accumulated depreciation and impairment, if any, in these condensed interim financial statements. Therefore, the fair value is disclosed below for the purpose of obtaining information, and it has not been calculated in the fund's records.

The fair value of investment properties is determined based on the evaluation performed by two evaluators for each asset, Vaile and Partner for Real Estate Valuation and Evaluation (An independent valuer accredited by the Saudi Authority for Accredited Valuers), license No. 1210001114 and Estnad real estate valuation office (An independent valuer accredited by the Saudi Authority for Accredited Valuers), license No. 1210000037. As at 30 June 2022, the average valuation of investment properties amounted to SAR 1,303,183,502 (31 December 2021: SAR 985,029,736).

The following is the evaluation of investment properties as on June 30, 2022:

<b><u>30 June 2022 (Un-audited)</u></b>	<b><u>First Appraiser</u></b>	<b><u>Second Appraiser</u></b>	<b><u>Average</u></b>
Investment properties	<u>1,314,487,003</u>	<u>1,291,880,000</u>	<u>1,303,183,502</u>
<b>Total</b>	<b><u>1,314,487,003</u></b>	<b><u>1,291,880,000</u></b>	<b><u>1,303,183,502</u></b>
<b><u>31 December 2021 (Audited)</u></b>	<b><u>First Appraiser</u></b>	<b><u>Second Appraiser</u></b>	<b><u>Average</u></b>
Investment properties	<u>981,059,472</u>	<u>989,000,000</u>	<u>985,029,736</u>
<b>Total</b>	<b><u>981,059,472</u></b>	<b><u>989,000,000</u></b>	<b><u>985,029,736</u></b>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties.

The investment properties were valued taking into consideration a number of factors, including the size and type of property and valuation techniques using unobservable inputs, including the financial & plot division, cost method, income method based on market rates and discounted cash flow method. The analysis of the fair value of real estate investments against cost below is:

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**14. EFFECT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)**

	<b>30 June 2022</b>	31 December 2021
	<b>(Un-audited)</b>	(Audited)
	<b>SAR</b>	SAR
Estimated fair value of investment properties based on the average of the two valuers used	<b>1,303,183,502</b>	985,029,736
Less: the book value		
Investment properties	<b>(1,271,243,063)</b>	(949,086,381)
The increase of the fair value over book value	<b>31,940,439</b>	35,943,355
Units in issue (numbers)	<b>68,108,652</b>	68,108,652
Additional value per unit based on fair value	<b>0.47</b>	0.53

**Net asset to unitholders:**

	<b>30 June 2022</b>	31 December 2021
	<b>(Un-audited)</b>	(Audited)
	<b>SAR</b>	SAR
Net assets attributable to unitholders as per the financial statements before fair value adjustment	<b>604,678,305</b>	638,850,619
The increase of the fair value over book value	<b>31,940,439</b>	35,943,355
Net asset value attributable to unit holders based on fair value of investment properties	<b>636,618,744</b>	674,793,974

**Net asset attributable to each unit:**

	<b>30 June 2022</b>	31 December 2021
	<b>(Un-audited)</b>	(Audited)
	<b>SAR</b>	SAR
Book value per unit as per the financial statements before fair value adjustment	<b>8.88</b>	9.38
The increase of the fair value over book value	<b>0.47</b>	0.53
Fair value of the assets per the unit	<b>9.35</b>	9.91

**15. 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 financial instruments and to disclose them:

Level 1: Quoted prices in active markets for the identical financial instrument (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.

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**16. FINANCIAL INSTRUMENTS BY CATEGORY**

<b>30 June 2022 (un-audited)</b>	<b>Amortized cost</b>	<b>FVPL</b>
<b>Assets as per interim statement of financial position</b>	<b>SAR</b>	<b>SAR</b>
Cash and cash equivalents	11,584,651	-
Account receivable from lease, net	41,743,412	-
Accrued revenue	8,469,825	-
Prepaid expenses and other debit balances	1,364,764	-
<b>Total</b>	<b>63,162,652</b>	<b>-</b>

<b>31 December 2021 (Audited)</b>	<b>Amortized cost</b>	<b>FVPL</b>
<b>Assets as per interim statement of financial position</b>	<b>SAR</b>	<b>SAR</b>
Cash and cash equivalents	16,835,710	-
Account receivable from lease, net	33,082,532	-
Accrued revenue	9,850,562	-
Prepaid expenses and other debit balances	844,419	-
<b>Total</b>	<b>60,613,223</b>	<b>-</b>

**17. FINANCIAL RISK MANAGEMENT**

**17-1 financial risk factors**

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

**(a) Market risk**

**Commission rate risk**

Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed rate financial instruments will fluctuate due to changes in market commission rates.

**(b) Credit risk**

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its Cash and cash equivalents as follows:

	<b>30 June 2022</b>	<b>31 December 2021</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>SAR</b>	<b>SAR</b>
Cash and cash equivalents	11,584,651	16,835,710
Account receivable from lease, net	41,743,412	33,082,532
Accrued revenue	8,469,825	9,850,562
Prepaid expenses and other debit balances	1,364,764	844,419

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**17. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**17-1 financial risk factors (continued)**

**(b) Credit risk (continued)**

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on cash and cash equivalents, account receivable from lease, accrued revenue and prepaid expenses and other debit balances is limited as:

- All financial assets of fund are held with counterparties with sound credit ratings.
- The fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

**(c) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full, the Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

	<b>30 June 2022(Un-audited)</b>		
	<b>Less than 1 year</b>	<b>More than 1 year</b>	<b>Total</b>
	<b>SAR</b>	<b>SAR</b>	<b>SAR</b>
Cash and cash equivalents	11,584,651	-	11,584,651
Investment properties, net	-	1,271,243,063	1,271,243,063
Account receivable from lease, net	41,743,412	-	41,743,412
Accrued revenue	8,469,825	-	8,469,825
Prepaid expenses and other debit balances	1,364,764	-	1,364,764
<b>TOTAL ASSETS</b>	<b>63,162,652</b>	<b>1,271,243,063</b>	<b>1,334,405,715</b>
Long –term loan	-	576,081,414	576,081,414
Unearned rental income	16,290,933	-	16,290,933
Due to related party	8,025,407	-	8,025,407
Account payables	121,893,507	-	121,893,507
Accrued expenses and other payables	7,253,164	-	7,253,164
Zakat provision	182,985	-	182,985
<b>TOTAL LIABILITIES</b>	<b>153,645,996</b>	<b>576,081,414</b>	<b>729,727,410</b>

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**17. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**17-1 financial risk factors (continued)**

**(c) Liquidity risk (continued)**

	31 December 2021 (Audited)		
	Less than 1 year	More than 1 year	Total
	SAR	SAR	SAR
Cash and cash equivalents	16,835,710	-	16,835,710
Investment properties, net	-	949,086,381	949,086,381
Account receivable from lease, net	33,082,532	-	33,082,532
Accrued revenue	9,850,562	-	9,850,562
Prepaid expenses and other debit balances	844,419	-	844,419
<b>TOTAL ASSETS</b>	<b>60,613,223</b>	<b>949,086,381</b>	<b>1,009,699,604</b>
Long –term loan	-	342,009,210	342,009,210
Unearned rental income	17,633,010	-	17,633,010
Due to related party	5,930,166	-	5,930,166
Accrued expenses and other payables	3,152,740	-	3,152,740
Zakat provision	2,123,859	-	2,123,859
<b>TOTAL LIABILITIES</b>	<b>28,839,775</b>	<b>342,009,210</b>	<b>370,848,985</b>

**(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund’s activities either internally or externally at the Fund’s service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

**18. DIVIDENDS**

- On 17 January 2022, the Fund's Board approved to distribute dividends to the period ended 31 December 2021 amounting to SAR 0.18 per unit totalling SAR 12,259,557 to its unitholders.

- On 17 April 2022, the Fund's Board approved to distribute dividends to the period ended 31 March 2021 amounting to SAR 0.13 per unit totalling SAR 8,854,125 to its unitholders.

**19. SUBSEQUENT EVENTS**

On July 18, 2022, the fund manager agreed to distribute dividends to unit holders for the period ending on June 30, 2022, amounting to SAR 0.13 per unit totalling SAR 8,854,125 to its unitholders. Otherwise, in the opinion of the management, there were no other significant events after 30 June 2022 that are expected to have a significant impact on these condensed interim financial statements as of 30 June 2022.

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**20. LAST VALUATION DAY**

The last valuation day of the period was at 30 June 2022 (30 June 2021).

**21. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Fund's Board on 16 August 2022 (corresponding to 18 Muharram 1444 H).