

MUSHARAKA REIT FUND
(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
AND REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
INFORMATION**

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) and report on review of condensed interim financial information

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REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION

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 of 30 June 2022 and the related condensed interim statements of profit or loss and other comprehensive income, condensed interim statement of changes in net assets attributable to unitholders and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information 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 this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 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 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 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, that is endorsed in the Kingdom of Saudi Arabia.

Allied Accountants Professional Services Company



Mohammed Farhan Bin Nader
License No. 435
Khobar, Saudi Arabia
21 August 2022 (corresponding 23 Muharram 1444H)



MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Condensed interim statement of profit or loss and other comprehensive income (unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Rental revenue	5	50,378,195	43,317,443
Total income		50,378,195	43,317,443
Depreciation	10	(13,403,285)	(11,295,590)
Fund management fee	6	(9,287,650)	(8,051,400)
Other operating expenses	7	(4,341,124)	(2,806,731)
Impairment loss on investment properties	10	(3,346,435)	(4,704,234)
Allowance for expected credit losses	12	(1,061,842)	-
Total expenses		(31,440,336)	(26,857,955)
Total income from operations		18,937,859	16,459,488
Other income	16	160,000	410,000
Unrealised (loss) gain on investments carried at fair value through profit or loss		(16,050)	31,750
Finance income	8	5,802,239	5,941,519
Finance costs	9	(11,961,505)	(8,059,740)
Net profit for the period		12,922,543	14,783,017
Other comprehensive income		-	-
Total comprehensive income for the period		12,922,543	14,783,017
Weighted average number of units outstanding		88,000,000	88,000,000
Basic and diluted earnings per unit		0.15	0.17

The accompanying notes form an integral part of this condensed interim financial information.

MUSHARAKA REIT FUND
(Managed by Musharaka Capital Company)

Condensed interim statement of financial position (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

		As at 30 June 2022	As at 31 December 2021
	Note	(Unaudited)	(Audited)
Assets			
Investment properties, net	10	1,345,679,007	1,108,922,475
Net investment in finance leases	11	225,460,535	230,425,626
Lease receivables, net	12	41,456,100	35,516,432
Prepayments and other assets	13	238,898	3,489,350
Investments carried at fair value through profit or loss	14	5,266,100	5,282,150
Cash at banks		71,119,260	58,135,003
Total assets		1,689,219,900	1,441,771,036
Liabilities			
Borrowings	15	655,996,916	405,265,264
Lease liabilities	16	134,953,710	142,220,187
Unearned rental revenue	17	29,176,373	17,855,057
Accrued fund management fee	19	10,680,797	9,864,843
Accrued expenses and other liabilities	18	11,160,488	5,836,612
Zakat provision		1,959,473	1,959,473
Total liabilities		843,927,757	583,001,436
Net assets attributable to unit holders		845,292,143	858,769,600
Units in issue		88,000,000	88,000,000
Per unit value (Saudi Riyals)		9.61	9.76

The accompanying notes form an integral part of this condensed interim financial information.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Condensed interim statement of changes in net assets attributable to unitholders (unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30	
	2022	June
	(Unaudited)	(Unaudited)
Net assets attributable to unitholders at 1 January	858,769,600	881,700,719
Change from operations		
Total comprehensive income for the period	12,922,543	14,783,017
Dividends (see Note 21)	(26,400,000)	(26,400,000)
	(13,477,457)	(11,616,983)
Net assets attributable to unitholders at 30 June	845,292,143	870,083,736

The accompanying notes form are an integral part of this condensed interim financial information.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Condensed interim statement of cash flows (unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended	
		2022	30 June
		(Unaudited)	(Unaudited)
Cash flow from operating activities			
Net profit for the period		12,922,543	14,783,017
Adjustment for:			
Depreciation	10	9,912,353	16,489,870
Amortization	10	3,490,932	7,039,725
Impairment loss on investment properties	10	3,346,435	4,704,234
Allowance for expected credit losses	12	1,061,842	
Unrealised loss (gain) on investments carried at fair value through profit or loss		16,050	(31,750)
Finance costs	9	11,961,505	8,059,740
Finance income	8	(5,802,239)	(5,941,519)
Rent concession on lease liabilities	16	(160,000)	(410,000)
Changes in operating assets and liabilities:			
Increase in lease receivables		(7,001,510)	(24,279,590)
Increase in prepayments and other assets		(238,898)	(4,354,159)
Increase in unearned rental revenue		11,321,316	2,748,583
Increase (decrease) in accrued fund management fee		815,954	(749,643)
Increase in accrued expenses and other liabilities		5,680,984	(16,368,732)
Net cash inflow from operating activities		47,327,267	1,689,776
Cash flow from investing activities			
Additions to investment properties	10	(253,506,252)	(5,252,308)
Principal element of investment in finance lease		4,965,091	3,247,749
Finance income received		5,802,239	4,941,519
Net (cash outflow) cash inflow from investing activities		(242,738,922)	2,936,960
Cash flow from financing activities			
Proceeds from borrowings	15	254,880,293	9,300,350
Principal element of lease liability	16	(10,170,000)	(9,420,000)
Finance cost paid		(9,914,381)	(4,090,517)
Dividends paid	21	(26,400,000)	(26,400,000)
Net cash inflow (outflow) from financing activities		208,395,912	(30,610,167)
Net change in cash at banks		12,984,257	(25,983,431)
Cash at banks at beginning of period		58,135,003	45,169,041
Cash at banks at end of period		71,119,260	19,185,610
Non-cash financing activity			
Amortization of loan arrangement fee	9	1,192,252	863,905

The accompanying notes form an integral part of this condensed interim financial information.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION

Musharaka REIT Fund (the "Fund") is a closed-ended Shari'ah-compliant real estate investment traded 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 the board of the Capital Market Authority ("CMA").

The Fund is listed and traded on 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 P.O. Box 712, Al Khobar 31952, the Kingdom of Saudi Arabia.

The offering of the units of the Fund has been approved by the CMA on 23 Ramadan 1438 H (corresponding to 17 July 2017) and started its operations on 25 Dhul Qadah 1438H (corresponding to 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.

During 2021, the Fund's board of directors and Capital Market Authority ("CMA") issued approval for a change in the terms and conditions of the Fund converting the Fund into a Closed-ended Traded Real Estate Investment Fund that takes the form of a special purpose entity.

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

a) Statement of compliance

This condensed interim financial information for the six-month period ended 30 June 2022 has been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore, be read in conjunction with the Fund's annual financial statements for the year ended 31 December 2021.

b) Historical cost convention

The condensed interim financial information has been prepared on a historical cost basis except for investments carried at fair value through profit or loss ("FVTPL").

c) Functional and presentation currency

Items included in the condensed interim financial information of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The condensed interim financial information is presented in Saudi Arabian Riyals ("Saudi Riyals").

Summary of significant accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future years.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. There is no change in the significant accounting judgments, estimates and assumptions used for the preparation of this condensed interim financial information as compared to the annual financial statements for the year ended 31 December 2021.

4 NEW AND AMENDMENTS STANDARDS ADOPTED BY THE FUND

Amendments to the IFRS, effective from 1 January 2022 or later, do not have any material effect on the Fund's condensed interim financial information. Further, the Fund has not early adopted any new standards, interpretation or amendment that have been issued but that are yet not effective.

5 RENTAL REVENUE

During the six-month period ended 30 June 2022, the Fund has earned revenue of Saudi Riyals 50.38 million (2021: Saudi Riyals 43.3 million) from rental income from investment properties, and recorded on an accrual basis in accordance with the terms of the corresponding contract. Revenue includes, rental revenue amounting to Saudi Riyals 6.68 million (2021: Saudi Riyals 6.68 million) through a related party, see Note 19.

6 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 Fund's total assets after deducting accrued fee and expenses. For the six-month period ended 30 June 2022 management fee amounted to Saudi Riyals 9.3 million (six-month period ended 30 June 2021: Saudi Riyals 8.1 million).

7 OTHER OPERATING EXPENSES

	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Utilities	1,586,526	639,220
Fees and subscriptions	925,278	706,719
Property management fee	633,321	530,361
Valuation fee	183,616	134,530
Board of director's fee	20,000	10,000
Others	992,383	785,901
	4,341,124	2,806,731

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

8 FINANCE INCOME

	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Finance income on investment in finance leases (Note 11)	5,802,239	5,941,519
	<u>5,802,239</u>	<u>5,941,519</u>

9 FINANCE COST

	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Finance cost on borrowings (Note 15)	7,705,731	4,014,461
Finance cost on lease liabilities (Note 16)	3,063,522	3,181,374
Amortization of loan arrangement fee	1,192,252	863,905
	<u>11,961,505</u>	<u>8,059,740</u>

10 INVESTMENT PROPERTIES, NET

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Owned investment properties, net	10.1	1,257,178,958	1,016,931,494
Right of use assets, net	10.2	88,500,049	91,990,981
		<u>1,345,679,007</u>	<u>1,108,922,475</u>

10.1 Owned investment properties, net

	Land	Buildings	Furniture and fixtures	Total
2022				
Cost				
At 1 January	563,786,444	473,270,581	66,561,648	1,103,618,673
Additions during the period	76,135,145	177,371,107	-	253,506,252
At 30 June	<u>639,921,589</u>	<u>650,641,688</u>	<u>66,561,648</u>	<u>1,357,124,925</u>
Accumulated depreciation and impairment				
At 1 January	11,786,649	51,501,002	23,399,528	86,687,179
Charge for the period	-	6,613,432	3,298,921	9,912,353
Impairment charge for the period	3,346,435	-	-	3,346,435
At 30 June	<u>15,133,084</u>	<u>58,114,434</u>	<u>26,698,449</u>	<u>99,945,967</u>
Net book value at 30 June (unaudited)	<u>624,788,505</u>	<u>592,527,254</u>	<u>39,863,199</u>	<u>1,257,178,958</u>

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES, NET (continued)**10.1 Owned investment properties, net (continued)**

	Land	Buildings	Furniture and fixtures	Total
2021				
Cost				
At 1 January	529,376,947	424,184,388	52,678,780	1,006,240,115
Additions during the year	34,409,497	49,086,193	13,882,868	97,378,558
At 31 December	563,786,444	473,270,581	66,561,648	1,103,618,673
Accumulated depreciation and impairment				
At 1 January	7,082,415	40,660,071	17,750,589	65,493,075
Charge for the year	-	10,840,931	5,648,939	16,489,870
Impairment charge for the year	4,704,234	-	-	4,704,234
At 31 December	11,786,649	51,501,002	23,399,528	86,687,179
Net book value at 31 December (audited)	551,999,795	421,769,579	43,162,120	1,016,931,494

Owned investment properties comprise the Fund's investments in various residential compounds, warehousing facilities, showrooms, retail, hotels, hotel apartments, commercial and administrative buildings located within the Kingdom of Saudi Arabia except for one warehouse in the United Arab Emirates ("UAE").

Investment properties as on 30 June 2022 with a net book value of Saudi Riyals 792.98 million (31 December 2021: Saudi Riyals 799.54) million are pledged as security against borrowings obtained from Bank Al Rajhi (also see Note 15).

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.

Additions to the investment properties during the six-month period ended 30 June 2022 represent the acquisition of Verdun Tower by the Fund amounting to Saudi Riyals 253.5 million, including acquisition costs.

The fair values of the properties are based on valuations performed by the following independent valuers accredited by the Saudi Authority for Accredited Valuers:

- Olat Valuation Company;
- Abaad Real Estate Valuation;
- ValuStrat consulting;
- Sima and partner property valuation; and
- JLL Valuation.

As at 30 June 2022, the average valuation of the above investment properties amounted to Saudi Riyals 1,323,233,331 (31 December 2021: Saudi Riyals 1,063,546,807). Key assumptions used for the valuation of investment properties include discount rate at 8% to 9% (31 December 2021: 8% to 10%) and income yield rate ranging from 7% to 9% (31 December 2021: 8% to 10%).

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES, NET (continued)**10.1 Owned investment properties, net (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, occupancy rate etc. would result in significantly lower/higher fair value of those assets.

10.2 Right of use assets, net

	Land	Buildings	Total
2022			
Cost			
At 1 January and 30 June	58,403,266	58,430,976	116,834,242
Accumulated amortization and impairment			
At 1 January	12,709,490	12,133,771	24,843,261
Charge for the period	1,736,884	1,754,048	3,490,932
At 30 June	14,446,374	13,887,819	28,334,193
Net book value at 30 June (unaudited)	43,956,892	44,543,157	88,500,049
2021			
Cost			
At 1 January	58,403,266	58,430,976	116,834,242
Accumulated amortization and impairment			
At 1 January	9,206,934	8,596,602	17,803,536
Charge for the year	3,502,556	3,537,169	7,039,725
At 31 December	12,709,490	12,133,771	24,843,261
Net book value at 31 December (audited)	45,693,776	46,297,205	91,990,981

The Fund has acquired right of use ("ROU") for certain commercial properties, i.e. land and building for a 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 2021: Olat Valuation Company and Abaad Real Estate Valuation,) all are independent valuers accredited by the Saudi Authority for Accredited Valuers.

As at 30 June 2022, the average valuation of the buildings amounted to Saudi Riyals 64.8 million (31 December 2021: Saudi Riyals 66.5 million) calculated by allocating the overall average valuation of the acquired right of use for buildings amounted to Saudi Riyals 130.5 million (31 December 2021: Saudi Riyals 134.4 million) to the remaining area after the derecognition of the portion of buildings that was derecognised on finance lease arrangements. Key assumptions used for the valuation of the ROU include discount rate ranging between 7.5% to 12.5% (31 December 2021: 7.5% to 12%).

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES (continued)**10.2 Right of use assets (continued)****Fair value hierarchy**

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

Any significant changes 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.

11 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases consists of:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Gross investment in finance leases	346,037,357	356,804,687
Less: Unearned finance income	(120,576,822)	(126,379,061)
	<u>225,460,535</u>	<u>230,425,626</u>

The maturity analysis of investment in finance leases as at 30 June 2022 is as follows:

	Less than one year	One to five years	More than five years	Total
Gross lease receivables	20,798,908	88,455,600	236,782,849	346,037,357
Finance income	(11,789,639)	(41,272,228)	(67,514,955)	(120,576,822)
	<u>9,009,269</u>	<u>47,183,372</u>	<u>169,267,894</u>	<u>225,460,535</u>

The maturity analysis of investment in finance lease as at 31 December 2021 is as follows:

	Less than one years	One to five years	More than five years	Total
Gross lease receivables	22,753,525	86,525,469	247,525,693	356,804,687
Finance income	(9,674,608)	(41,980,469)	(74,723,984)	(126,379,061)
	<u>13,078,917</u>	<u>44,545,000</u>	<u>172,801,709</u>	<u>230,425,626</u>

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

12 LEASE RECEIVABLES, NET

	As at 30 June 2022	As at 31 December 2021
Note	(Unaudited)	(Audited)
Lease receivables:		
- Billed	50,155,221	40,621,109
- Unbilled	472,307	3,004,909
Total receivables	50,627,528	43,626,018
	12.1	
Less: allowance for expected credit losses	12.2	(8,109,586)
	41,456,100	35,516,432

12.1 An aged analysis of lease receivables as at 30 June 2022 and 31 December 2021 is as follows:

	Neither past due nor impaired	< 180 days	181-270 days	270-365 days	> 365 days	Total
At 30 June 2022	472,307	35,246,671	2,264,932	832,299	11,811,319	50,627,528
At 31 December 2021	3,004,909	25,907,518	1,784,617	6,301,667	6,627,307	43,626,018

12.2 Movement in allowance for expected credit losses is as follows:

	As at 30 June 2022	As at 31 December 2021
	(Unaudited)	(Audited)
At the beginning of the period / year	8,109,586	8,888,208
Provision charged during the period / year	1,061,842	(116,394)
Written - off during the period / year	-	(662,228)
At the end of period / year	9,171,428	8,109,586

13 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2020, 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 or loss ("FVTPL").

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

14 BORROWINGS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Long term loan	668,556,981	413,676,688
Less: transaction costs	(12,560,065)	(8,411,424)
	655,996,916	405,265,264

During the year 2018, 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 Saudi Riyals 400 million to finance the acquisition of income generating assets. Further, during 2021, the Fund has increased its credit facility limit from Saudi Riyals 400 million to Saudi Riyals 1 billion. These facilities carry financial cost at SIBOR (6 months) plus a margin of 1.65% (31 December 2021: 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 Saudi Riyals 668.55 million till 30 June 2022 (31 December 2021: Saudi Riyals 413.67 million) for the purpose of acquiring investment properties. The loan is secured by a mortgage on certain investment properties (see Note 10), promissory note and assignment of proceeds from rental contracts.

15 LEASE LIABILITIES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Gross lease liabilities	181,386,280	191,716,280
Less: Finance charges	(46,432,570)	(49,496,093)
	134,953,710	142,220,187

Lease liabilities represents present value of minimum lease payments for land lease. During the six-month period ended 30 June 2022, the Fund received concession on one of the land parcels carried under lease arrangements for an amount of Saudi Riyals 160,000 (2021: Saudi Riyals 410,000) and has been recognised as other income.

The maturity analysis of lease liabilities as at 30 June 2022 is as follows:

	Less than one year	Two to five years	More than five years	Total
Principal amount of lease liabilities	11,490,000	51,721,000	118,175,280	181,386,280
Finance cost	(5,945,748)	(20,670,499)	(19,816,323)	(46,432,570)
	5,544,252	31,050,501	98,358,957	134,953,710

The maturity analysis of lease liabilities as at 31 December 2021 is as follows:

	Less than one year	Two to five years	More than five years	Total
Principal amount of lease liabilities	19,210,000	51,106,000	121,400,280	191,716,280
Finance cost	(4,819,816)	(21,847,940)	(22,828,337)	(49,496,093)
	14,390,184	29,258,060	98,571,943	142,220,187

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

16 UNEARNED RENTAL REVENUE

This represent rental income received in advance and receivable in respect of operating leases of investment properties.

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Accrued finance costs	5,632,595	2,231,893
Accrued expenses	2,087,875	2,086,728
Value Added Tax ("VAT") payable	1,858,588	324,840
Security deposits	1,114,347	1,114,347
Other	467,083	78,804
	11,160,488	5,836,612

18 RELATED PARTIES TRANSACTIONS AND BALANCES

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

The following table represents details of transactions that have been entered into with related parties:

Related party	Nature of transaction with related party	For the six-month period ended 30 June 2022 (Unaudited)	For the six-month period ended 30 June 2021 (Unaudited)
Fund Manager	Management fees	9,287,650	8,051,400
	Commission on purchase of investment property	2,350,000	-
Fund Board	Board of Directors remunerations	20,000	10,000
Sharia Committee	Sharia Committee remunerations	16,500	16,500
Custodian	Custody fee	49,589	49,589
Units holder	Rental revenue	6,685,363	6,685,363

The Fund Manager's investment in the Fund at 30 June 2022 is 4.64 million units (31 December 2021 is 4.64 million units).

Balances with related parties are as follows:

Related party	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Fund Manager (Presented under accrued management fee)	10,680,797	9,864,843
Custodian (Presented under accrued expenses)	91,256	191,667
	10,772,053	10,056,510

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended 30 June 2022 (unaudited) (continued)

(All amounts in Saudi Riyals unless otherwise stated)

18 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:

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

19 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.

20 DIVIDENDS

During the six-month period ended 30 June 2022, the Fund Board paid dividends of Saudi Riyals 26.4 million (2021: Saudi Riyals 52.8 million). The Fund declared a dividend of Saudi Riyals 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.

21 RECLASSIFICATION

Certain amounts in the comparative 2021 financial information have been reclassified to conform with the current period presentation.

22 APPROVAL OF THE CONDENSE INTERM FINANCIAL INFORMATION

The condensed interim financial information was approved by the management on 21 August 2022 (corresponding to 23 Muharram 1444H).