

MUSHARAKA REIT FUND
(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
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 2023 (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 2023 and the related condensed interim statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the six-month period then ended and 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, that is endorsed in the Kingdom of Saudi Arabia.

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License No. 435

Khobar, Kingdom of Saudi Arabia

14 August 2023 (corresponding 27 Muharram 1445H)



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	
		2023 (Unaudited)	2022 (Unaudited)
Rental revenue	5	46,569,104	50,378,195
Finance income	8	5,596,171	5,802,239
Total income		52,165,275	56,180,434
Depreciation	10	(15,342,935)	(13,403,285)
Fund management fee	6	(9,197,801)	(9,287,650)
Other operating expenses	7	(12,213,353)	(4,341,124)
Impairment reversal (loss) on investment properties	10	14,995,195	(3,346,435)
Allowance for expected credit losses	12	(1,885,428)	(1,061,842)
Total expenses		(23,644,322)	(31,440,336)
Total income from operations		28,520,953	24,740,098
Unrealised gain (loss) on investments carried at fair value through profit or loss		81,400	(16,050)
Finance costs	9	(28,755,538)	(11,961,505)
Finance income on short-term murabaha deposits	15	628,013	-
Other income	17	160,000	160,000
Profit for the period		634,828	12,922,543
Other comprehensive income		-	-
Total comprehensive income for the period		634,828	12,922,543
Weighted average number of units outstanding		88,000,000	88,000,000
Basic and diluted earnings per unit		0.01	0.15

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 2023	As at 31 December 2022
	Note	(Unaudited)	(Audited)
Assets			
Investment properties	10	1,336,611,700	1,334,991,726
Net investment in finance leases	11	214,774,604	219,945,398
Lease rental receivables	12	37,559,597	26,705,723
Prepayments and other assets	13	4,331,436	3,718,823
Investments carried at fair value through profit or loss	14	5,393,550	5,312,150
Short-term murabaha deposits	15	20,360,549	35,000,000
Cash at banks		22,366,997	31,486,197
Total assets		1,641,398,433	1,657,160,017
Liabilities			
Borrowings	16	660,760,898	657,438,425
Lease liabilities	17	134,105,106	139,419,106
Unearned rental revenue	18	18,322,169	15,595,152
Accrued expenses and other liabilities	19	23,272,083	20,370,576
Accrued fund management fee	20	5,033,310	7,466,719
Total liabilities		841,493,566	840,289,978
Net assets attributable to unit holders		799,904,867	816,870,039
Units in issue		88,000,000	88,000,000
Per unit value (Saudi Riyals)		9.09	9.28

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 unit holders (unaudited)

(All amounts in Saudi Riyals unless otherwise stated)

	For the six-month period ended 30	
	2023	2022
	(Unaudited)	(Unaudited)
Net assets attributable to unitholders at 1 January	816,870,039	858,769,600
Change from operations		
Total comprehensive income for the period	634,828	12,922,543
Dividends (see Note 22)	(17,600,000)	(26,400,000)
	(16,965,172)	(13,477,457)
Net assets attributable to unitholders at 30 June	799,904,867	845,292,143

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	
		2023	2022
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Profit for the period		634,828	12,922,543
<u>Adjustment for:</u>			
Depreciation and amortization	10	15,342,935	13,403,285
Impairment (reversal) loss on investment properties	10	(14,995,195)	3,346,435
Allowance for expected credit losses	12	1,885,428	1,061,842
Unrealised loss (gain) on investments carried at fair value through profit or loss		(81,400)	16,050
Finance income - on short term deposits		(628,013)	-
Finance costs	9	28,755,538	11,961,505
Finance income	8	(5,596,171)	(5,802,239)
Rent concession on lease liabilities	17	(160,000)	(160,000)
<u>Changes in operating assets and liabilities:</u>			
Increase in lease rental receivables		(12,739,302)	(7,001,510)
Increase in prepayments and other assets		(869,304)	(238,898)
Increase in unearned rental revenue		2,727,017	11,321,316
(Decrease) increase in accrued fund management fee		(2,433,409)	815,954
Increase in accrued expenses and other liabilities		118,094	5,680,984
Cash generated from operations		11,961,046	47,327,267
Finance cost paid		(19,621,675)	(9,914,381)
Net cash (outflow) inflow from operating activities		(7,660,629)	37,412,886
Cash flows from investing activities			
Additions to investment properties	10	(704,691)	(253,506,252)
Principal element of investment in finance lease		5,181,399	4,965,091
Proceeds from short-term murabaha deposits		15,000,000	-
Finance income received		6,109,721	5,802,239
Net cash inflow (outflow) from an investing activities		25,586,429	(242,738,922)
Cash flows from financing activities			
Proceeds from borrowings	16	-	254,880,293
Repayment of lease liabilities	17	(9,445,000)	(10,170,000)
Dividends paid	22	(17,600,000)	(26,400,000)
Net cash (outflow) inflow from financing activities		(27,045,000)	218,310,293
Net change in cash at banks		(9,119,200)	12,984,257
Cash at banks at beginning of period		31,486,197	58,135,003
Cash at banks at end of period		22,366,997	71,119,260
<u>Non-cash financing activities</u>			
Amortization of loan arrangement fee	9	1,418,009	1,192,252
Addition to right-of-use assets and lease liabilities		1,263,023	-

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 2023 (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 board of the Capital Market Authority (“CMA”).

The Fund is listed and traded in the Saudi Stock Exchange (“Tadawul” or “Saudi Exchange”) and is managed by Musharaka Capital Company (the “Fund Manager”).

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

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

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 2023 has been prepared in accordance with International Accounting Standard 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 2022.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and these interim results may not be an indicator of the annual result of the Fund. The interim results may not be an indicator of the yearly performance and results of the Fund.

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 2022.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

Notes to the condensed interim financial information for the six-month period ended (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 2022, except for reversal of impairment on investment properties. The Fund's management assesses the recoverable value of the investment properties to determine if reversal of a previously recognized impairment loss is appropriate. Such assessment is carried out considering the updated market and economic conditions, comparable market rental for similar properties in identical or similar area, and the positive changes in the external and internal factors influencing the future economic benefits related to such properties. Also see Note 10.

4 NEW AND AMENDMENTS STANDARDS ADOPTED BY THE FUND

Amendments to the IFRS, effective from 1 January 2023 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 not yet effective.

5 RENTAL REVENUE

During the six-month period ended 30 June 2023, the Fund has earned revenue of Saudi Riyals 46.57 million (2022: Saudi Riyals 50.38 million) from rental of investment properties, that is recorded on an accrual basis in accordance with the terms of the corresponding contracts. Revenue also includes, rental revenue amounting to Saudi Riyals Nil (2022: Saudi Riyals 6.68 million) earned through a related party. Also see Note 20.

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 2023, management fee amounted to Saudi Riyals 9.2 million (2022: Saudi Riyals 9.3 million).

7 OTHER OPERATING EXPENSES

	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
	(Unaudited)	(Unaudited)
Properties maintenance expenses	8,440,030	1,586,526
Manpower expenses	1,954,680	-
Property management fee	770,859	633,321
Fees and subscriptions	426,612	925,278
Valuation fee	114,720	183,616
Board of directors fee	20,000	20,000
Other	486,452	992,383
	12,213,353	4,341,124

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

8 FINANCE INCOME

	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
	(Unaudited)	(Unaudited)
Finance income on investment in finance leases (Note 11)	5,596,171	5,802,239
	5,596,171	5,802,239

9 FINANCE COST

	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
	(Unaudited)	(Unaudited)
Finance cost on borrowings (Note 16)	22,405,088	7,705,731
Finance cost on lease liabilities (Note 17)	3,027,977	3,063,522
Amortization of loan arrangement fee	1,418,009	1,192,252
Unamortized loan arrangement fee written off	1,904,464	-
	28,755,538	11,961,505

During the six-month period ended 30 June 2023, unamortized loan arrangement fee related to repaid borrowings has been written off. Also see Note 16.

10 INVESTMENT PROPERTIES

		As at 30 June 2023	As at 31 December 2022
	Note	(Unaudited)	(Audited)
Owned investment properties	10.1	1,251,789,468	1,247,386,713
Right-of-use assets	10.2	84,822,232	87,605,013
		1,336,611,700	1,334,991,726

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES**10.1 Owned investment properties**

	Land	Buildings	Furniture and fixtures	Leasehold improvements	Total
2023					
<u>Cost</u>					
At 1 January	639,921,589	650,641,688	66,561,648	6,785,241	1,363,910,166
Additions during the period	-	-	-	704,691	704,691
At 30 June	639,921,589	650,641,688	66,561,648	7,489,932	1,364,614,857
<u>Accumulated depreciation and impairment</u>					
At 1 January	19,478,816	66,992,590	30,052,047	-	116,523,453
Charge for the period	-	7,998,210	3,298,921	-	11,297,131
Impairment reversal for the period	(9,167,732)	(5,827,463)	-	-	(14,995,195)
At 30 June	10,311,084	69,163,337	33,350,968	-	112,825,389
Net book value at 30 June (unaudited)	629,610,505	581,478,351	33,210,680	7,489,932	1,251,789,468
2022					
<u>Cost</u>					
At 1 January	563,786,444	473,270,581	66,561,648	-	1,103,618,673
Additions during the year	76,135,145	177,371,107	-	6,785,241	260,291,493
At 31 December	639,921,589	650,641,688	66,561,648	6,785,241	1,363,910,166
<u>Accumulated depreciation and impairment</u>					
At 1 January	11,786,649	51,501,002	23,399,528	-	86,687,179
Charge for the year	-	14,744,209	6,652,519	-	21,396,728
Impairment charge for the year	7,692,167	747,379	-	-	8,439,546
At 31 December	19,478,816	66,992,590	30,052,047	-	116,523,453
Net book value at 31 December (audited)	620,442,773	583,649,098	36,509,601	6,785,241	1,247,386,713

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 of 30 June 2023 with a net book value of Saudi Riyals 783.75 million (31 December 2022: Saudi Riyals 1,145.56 million) are pledged as security against borrowings obtained from Bank Al Rajhi (also see Note 16).

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES (continued)

10.1 Owned investment properties (continued)

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 carried out by two independent evaluators.

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

- Qiam Valuation Company;
- Abaad Real Estate Valuation;
- ValuStrat consulting; and
- JLL Valuation.

As at 30 June 2023, the average valuation of the above investment properties amounted to Saudi Riyals 1,306.64 million (31 December 2022: Saudi Riyals 1,351.20 million). Key assumptions used for the valuation of investment properties include discount rate ranging from 8% to 11% (31 December 2022: 8% to 10%) and income yield rate ranging from 7% to 9% (31 December 2022: 8% to 10%).

Based on the results of the independent valuations, the Fund has reversed an impairment loss amounting to Saudi Riyals 14.9 million on the investment properties recognized in earlier periods.

Fair value hierarchy

The fair value of investment properties is classified in the level - 3 of fair value hierarchy, where the valuation is carried out with reference to the observable market data, among other factors, including but not limited to analysis of the income cash flow achievable for the properties taking into account the projected annual expenditure.

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

	Land	Buildings	Total
<u>2023</u>			
Cost			
At 1 January	61,310,273	58,430,976	119,741,249
Additions during the year	1,263,023	-	1,263,023
At 30 June	62,573,296	58,430,976	121,004,272
Accumulated amortization			
At 1 January	16,465,045	15,671,191	32,136,236
Charge for the period	-	4,045,804	4,045,804
At 30 June	16,465,045	19,716,995	36,182,040
Net book value at 30 June (unaudited)	46,108,251	38,713,981	84,822,232

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES (continued)

10.2 Right-of-use assets (continued)

	Land	Buildings	Total
2022			
Cost			
At 1 January	58,403,266	58,430,976	116,834,242
Additions during the period	2,907,007	-	2,907,007
At 31 December	61,310,273	58,430,976	119,741,249
Accumulated amortization			
At 1 January	12,709,490	12,133,771	24,843,261
Charge for the year	3,755,555	3,537,420	7,292,975
At 31 December	16,465,045	15,671,191	32,136,236
Net book value at 31 December (audited)	44,845,228	42,759,785	87,605,013

The Fund holds right-of-use ROU for certain commercial properties, i.e. land and buildings for a term ranging from 15.5 to 16.5 years.

During 2023, The Fund has acquired ROU for certain parking yards, adjacent to one of the owned investment properties. The terms of such agreements are three years.

The fair values of the ROU assets are based on valuations performed by Qiam Valuation Company and Abaad Real Estate Valuation (31 December 2022: Olat Valuation Company and Abaad Real Estate Valuation,) that are independent valuers accredited by the Saudi Authority for Accredited Valuers.

As at 30 June 2023, the average valuation of the buildings amounted to Saudi Riyals 67.2 million (31 December 2022: Saudi Riyals 62.3 million) calculated by allocating the overall average valuation of the acquired right-of-use for buildings amounted to Saudi Riyals 134.1 million (31 December 2022: Saudi Riyals 126.1 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 from 8.5% to 11% (31 December 2022: 9.5% to 12%). The land parcels included in the right-of-use assets above represent land over which certain of the investment properties are built that are owned by the Fund.

Fair value hierarchy

The fair value of investment properties is classified in the level-3 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.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

11 NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases consists of:

	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Audited)
Gross investment in finance leases	323,960,803	334,727,768
Less: Unearned finance income	(109,186,199)	(114,782,370)
	214,774,604	219,945,398

The maturity analysis of investment in finance leases as at 30 June 2023 is as follows:

	Less than one year	Two to five years	More than five years	Total
Gross lease receivables	21,192,703	111,267,628	191,500,472	323,960,803
Finance income	(11,315,481)	(46,616,887)	(51,253,831)	(109,186,199)
	9,877,222	64,650,741	140,246,641	214,774,604

The maturity analysis of investment in finance lease as at 31 December 2022 is as follows:

	Less than one years	Two to five years	More than five years	Total
Gross lease receivables	20,822,533	101,396,000	212,509,235	334,727,768
Finance income	(11,048,135)	(43,473,230)	(60,261,005)	(114,782,370)
	9,774,398	57,922,770	152,248,230	219,945,398

12 LEASE RENTAL RECEIVABLES

		As at 30 June 2023	As at 31 December 2022
	Note	(Unaudited)	(Audited)
Lease receivables:			
- Billed		45,216,209	35,273,665
- Unbilled		6,554,324	3,757,566
Total receivables	12.1	51,770,533	39,031,231
Less: allowance for expected credit losses	12.2	(14,210,936)	(12,325,508)
		37,559,597	26,705,723

12.1 An aged analysis of lease receivables as at 30 June 2023 and 31 December 2022 is as follows:

	Neither past due nor impaired	< 180 days	181-270 days	270-365 days	> 365 days	Total
At 30 June 2023	6,554,324	21,173,702	973,526	2,117,922	20,951,059	51,770,533
At 31 December 2022	3,757,566	12,700,930	2,526,684	12,958,236	7,087,815	39,031,231

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

12 LEASE RENTAL RECEIVABLES (Continued)

In determination of the default risk and resulting expected credit loss allowance, the management has considered risk adjusting factors such as presence of guarantees and promissory notes issued by the counterparties in name of the Fund.

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

	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Audited)
At the beginning of the period / year	12,325,508	8,109,586
Provision charged during the period / year	1,885,428	5,050,770
Written - off during the period / year	-	(834,848)
At the end of period / year	14,210,936	12,325,508

13 PREPAYMENTS AND OTHER ASSETS

	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Audited)
Prepaid expenses and other assets	4,331,436	2,985,559
Value added tax ("VAT") receivable	-	733,264
	4,331,436	3,718,823

14 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 the Fund manager. The Fund recognised this investment at fair value through profit or loss.

15 SHORT-TERM MURABAHA DEPOSITS

Short-term murabaha deposits represent amounts invested by the Fund with a local commercial bank, and have an original maturity of more than 1 week from the placement date with a profit ranging from 4.5% to 5.9% (31 December 2022: 4.5%) per annum. As at the period end, accrued finance income on such deposit amounted to Saudi Riyals 0.03 million (31 December 2022 0.3 million).

16 BORROWINGS

	As at 30 June 2023	As at 31 December 2022
	(Unaudited)	(Audited)
Long term loan	668,556,977	668,556,977
Less: transaction costs	(7,796,079)	(11,118,552)
	660,760,898	657,438,425

During the year 2018, the Fund entered into a Sharia-compliant bank facility, with Al Rajhi bank in the form of long-term loans to finance the acquisition of income generating assets. During 2021, the Fund negotiated an increase in in the facility limit from Saudi Riyals 400 million to Saudi Riyals 1 billion. Such facility carries financial cost at SIBOR (6 months) plus a margin of 1.25% (31 December 2022: 1.25%) and is repayable in a single lumpsum payment after seven years from the date of initial withdrawal (28 June 2018). Financial cost is payable on a semi-annual basis.

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

16 BORROWINGS (Continued)

During the six-month period 30 June 2023, the Fund entered into another Sharia-compliant bank facility, with Bank Al Jazira, for a long-term loan with an overall limit of Saudi Riyals 1 billion to finance the acquisition of income generating assets and ongoing operations. This facility carries financial cost at SIBOR (6 months) plus a margin of 1.25% and is repayable on a single lump sum payment after seven years from the date of withdrawal (16 February 2023). Financial cost is payable on a semi-annual basis

The Fund has repaid Saudi Riyals 320.7 million to Al Rajhi bank from the total loan balance of Saudi Riyals 668.5 million. The unamortised loan arrangement fee amounting to Saudi Riyals 1.9 million was written off as a result of such a repayment to Al Rajhi bank.

The above described loans are secured by a mortgage on certain investment properties. Also see Note 10.

17 LEASE LIABILITIES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Gross lease liabilities	174,796,283	183,026,283
Less: finance charges not yet due	(40,691,177)	(43,607,177)
	134,105,106	139,419,106

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
At 1 January	139,419,106	142,220,187
Addition	1,263,023	2,907,007
Finance cost for the period / year	3,027,977	6,131,912
Rent concession	(160,000)	(320,000)
Payment	(9,445,000)	(11,520,000)
	134,105,106	139,419,106

Lease liabilities represent present value of minimum lease payments for land lease. During the six-month period ended 30 June 2023, the Fund received concession on one of the land parcels carried under lease arrangements amounting to Saudi Riyals 160,000 (2022: Saudi Riyals 320,000) that has been recognised as other income.

The maturity analysis of lease liabilities as at 30 June 2023 is as follows:

	Less than one year	Two to five years	More than five years	Total
Principal amount of lease liabilities	12,730,000	65,574,703	96,491,580	174,796,283
Finance cost	(5,794,124)	(22,112,888)	(12,784,165)	(40,691,177)
	6,935,876	43,461,815	83,707,415	134,105,106

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

17 LEASE LIABILITIES (Continued)

The maturity analysis of lease liabilities as at 31 December 2022 is as follows:

	Less than one year	Two to five years	More than five years	Total
Principal amount of lease liabilities	14,986,735	52,888,000	115,151,548	183,026,283
Finance cost	(6,334,077)	(19,949,074)	(17,324,026)	(43,607,177)
	<u>8,652,658</u>	<u>32,938,926</u>	<u>97,827,522</u>	<u>139,419,106</u>

18 UNEARNED RENTAL REVENUE

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

19 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Accrued finance costs	13,953,369	11,169,956
Property operating expenses	3,649,305	4,694,914
Security deposits	3,500,821	3,253,136
Accrued expenses	326,178	432,469
Value added tax (VAT) payable	851,241	-
Other	991,169	820,101
	<u>23,272,083</u>	<u>20,370,576</u>

20 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 2023 (Unaudited)	For the six-month period ended 30 June 2022 (Unaudited)
Fund Manager	Management fees	9,197,801	9,287,650
	Commission on purchase of investment property	-	2,350,000
Fund Board	Board of Directors remunerations	20,000	20,000
Sharia Committee	Sharia Committee fees	16,364	16,500
Custodian	Custody fee	49,589	49,589
Units holder	Rental revenue	-	6,685,363

MUSHARAKA REIT FUND

(Managed by Musharaka Capital Company)

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

(All amounts in Saudi Riyals unless otherwise stated)

20 RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The Fund Manager's investment in the Fund at 30 June 2023 is 4.64 million units (31 December 2022 is 4.64 million units).

Balances with related parties are as follows:

Related party	As at	As at
	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
Fund Manager (accrued management fee)	5,033,310	7,466,719
Custodian (presented under accrued expenses)	191,667	141,667
	<u>5,224,977</u>	<u>7,608,386</u>

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 fees	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

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Investment properties, net investment in finance leases, long term loans 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.

22 DIVIDENDS

During the six-month period ended 30 June 2023, the Fund Board paid dividends of Saudi Riyals 17.6 million (for the six-month period ended 30 June 2022: Saudi Riyals 26.4 million). As per the terms and conditions of the Fund, it aims to distribute cash dividends, at least once annually, not less than 90% of the net profit.

23 APPROVAL OF THE CONDENSED INTERM FINANCIAL STATEMENTS

The condensed interim financial information was approved by the Fund's Board on 13 August 2023 (corresponding to 26 Muharram 1445H).