

**MUSHARAKA REIT FUND**  
(Managed by Musharaka Capital Company)

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 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 2024 (unaudited)**

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<b>Index</b>	<b>Page</b>
Report on review of the condensed interim financial information	2
Condensed interim statement of profit or loss and other comprehensive income	3
Condensed interim statement of financial position	4
Condensed interim statement of changes in net assets attributable to unitholders	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial information	7 - 20

## 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 2024 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

7 August 2024 (corresponding 3 Safar 1446H)



**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	
		2024 (Unaudited)	2023 (Unaudited)
Rental revenue	6	48,991,157	46,569,104
Finance income	7	5,403,942	5,596,171
<b>Total income</b>		<b>54,395,099</b>	<b>52,165,275</b>
Depreciation	12	(15,562,812)	(15,342,935)
Fund management fee	8	(7,500,962)	(9,197,801)
Other operating expenses	9	(11,902,132)	(12,213,353)
Impairment (loss) reversal on investment properties	12	(5,855,087)	14,995,195
Allowance for expected credit losses	14	-	(1,885,428)
<b>Total expenses</b>		<b>(40,820,993)</b>	<b>(23,644,322)</b>
<b>Total income from operations</b>		<b>13,574,106</b>	<b>28,520,953</b>
Gain on investments carried at fair value through profit or loss	15	107,033	81,400
Finance costs	10	(29,738,242)	(28,755,538)
Finance income on short-term Murabaha deposits	16, 17	1,050,319	628,013
Other income	19	450,000	160,000
<b>(Loss) profit for the period</b>		<b>(14,556,784)</b>	<b>634,828</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) income for the period</b>		<b>(14,556,784)</b>	<b>634,828</b>
<b>Weighted average number of units outstanding</b>		<b>88,000,000</b>	<b>88,000,000</b>
<b>Basic and diluted (loss) earnings per unit</b>		<b>(0.17)</b>	<b>0.01</b>

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)

	Note	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
<b>Assets</b>			
Investment properties	12	1,301,225,039	1,322,642,938
Net investment in finance leases	13	206,947,889	210,677,060
Lease rental receivables	14	49,764,423	38,995,529
Prepayments and other assets		2,930,473	2,521,940
Investments carried at fair value through profit or loss	15	4,530,432	5,459,650
Short-term Murabaha deposits	17	-	45,274,633
Cash and cash equivalents	16	40,595,954	8,377,682
<b>Total assets</b>		<b>1,605,994,210</b>	<b>1,633,949,432</b>
<b>Liabilities</b>			
Borrowings	18	662,670,608	661,720,789
Lease liabilities	19	126,944,769	132,589,120
Unearned rental revenue	20	16,803,171	17,575,536
Accrued expenses and other liabilities	21	29,545,773	26,063,910
Accrued fund management fee	22	8,626,104	11,239,508
<b>Total liabilities</b>		<b>844,590,425</b>	<b>849,188,863</b>
<b>Net assets attributable to unit holders</b>		<b>761,403,785</b>	<b>784,760,569</b>
Units in issue		<b>88,000,000</b>	<b>88,000,000</b>
Per unit value (Saudi Riyals)		<b>8.65</b>	<b>8.92</b>

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)

	<b>For the six-month period ended 30</b>	
	<b>2024</b>	<b>June</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net assets attributable to unitholders at 1 January</b>	<b>784,760,569</b>	816,870,039
<b>Change from operations</b>		
Total comprehensive (loss) income for the period	<b>(14,556,784)</b>	634,828
Dividends (see Note 24)	<b>(8,800,000)</b>	(17,600,000)
	<b>(23,356,784)</b>	(16,965,172)
<b>Net assets attributable to unitholders at 30 June</b>	<b>761,403,785</b>	799,904,867

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	
		2024	30 June
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
<b>(Loss) profit for the period</b>		<b>(14,556,784)</b>	634,828
<b><u>Adjustment for:</u></b>			
Depreciation and amortization	12	15,562,812	15,342,935
Impairment loss (reversal) on investment properties	12	5,855,087	(14,995,195)
Allowance for expected credit losses	14	-	1,885,428
Unrealised gain on investments carried at fair value through profit or loss		(49,672)	(81,400)
Finance income on term deposits		(1,050,319)	(628,013)
Finance costs	10	29,738,242	28,755,538
Finance income on finance lease	7	(5,403,942)	(5,596,171)
Rent concession on lease liabilities	19	(450,000)	(160,000)
<b><u>Changes in operating assets and liabilities:</u></b>			
Increase in lease rental receivables		(10,768,894)	(12,739,302)
Increase in prepayments and other assets		(408,533)	(869,304)
(Decrease) increase in unearned rental revenue		(772,365)	2,727,017
Decrease in accrued fund management fee		(2,613,404)	(2,433,409)
Increase in accrued expenses and other liabilities		2,953,855	118,094
<b>Cash generated from operations</b>		<b>18,036,083</b>	11,961,046
Finance cost paid		(24,934,766)	(19,621,675)
<b>Net cash outflow from operating activities</b>		<b>(6,898,683)</b>	(7,660,629)
<b>Cash flows from investing activities</b>			
Additions to investment properties	12	-	(704,691)
Investments at fair value through profit or loss	15	978,890	-
Principal element of investment in finance lease		3,729,171	5,181,399
Net changes in short-term Murabaha deposits		46,324,952	15,000,000
Finance income received		5,403,942	6,109,721
<b>Net cash inflow from investing activities</b>		<b>56,436,955</b>	25,586,429
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	19	(8,520,000)	(9,445,000)
Dividends paid	24	(8,800,000)	(17,600,000)
<b>Net cash outflow from financing activities</b>		<b>(17,320,000)</b>	(27,045,000)
<b>Net change in cash and cash equivalents</b>		<b>32,218,272</b>	(9,119,200)
Cash and cash equivalents at beginning of period		8,377,682	31,486,197
<b>Cash and cash equivalents at end of period</b>		<b>40,595,954</b>	22,366,997
<b>Supplemental non-cash activities</b>	25		

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 (unaudited)**

(All amounts in Saudi Riyals unless otherwise stated)

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#### **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 offering of the units of the Fund has been approved by the CMA on 23 Ramadan 1438H (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.

During 2021, the Fund’s board of directors and 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.

During the six-month period ended 30 June 2024, the Fund Manager updated the Fund’s terms and conditions resulting in a reduction of the management fee from 1.2% to 0.95%. This change was effective from 1 January 2024. The Fund manager communicated this change to CMA on 6 March 2024 (corresponding to 25 Shaban 1445H).

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.

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

The Fund is governed by the Real Estate Investment Funds Regulations (the “Regulations”) published by the CMA detailing requirements for all real estate funds within the Kingdom of Saudi Arabia. The Regulations were amended by the CMA board on 12 Rajab 1442H (corresponding to 22 February 2021).

#### **2 BASIS OF PREPARATION**

##### **a) Statement of compliance**

This condensed interim financial information for the six-month period ended 30 June 2024 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 Fund has also complied with the Regulations published by CMA and Fund’s terms and conditions, information memorandum and key information summary (collectively hereinafter referred to as “Terms and Conditions”).

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. Therefore, this condensed interim financial information should be read in conjunction with the Fund’s annual financial statements for the year ended 31 December 2023.

##### **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”).



## 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)

#### 2 BASIS OF PREPARATION (continued)

##### 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”).

#### 3 NEW AND AMENDMENTS STANDARDS ADOPTED BY THE FUND

Amendments to the IFRS, effective from 1 January 2024 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.

#### 4 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 2023.

#### 5 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 2023. The Fund’s management assesses the recoverable value of the investment properties to determine if any of the investment property is impaired or 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 12.

#### 6 RENTAL REVENUE

During the six-month period ended 30 June 2024, the Fund has earned revenue of Saudi Riyals 48.99 million (for the six-month period ended 30 June 2023: Saudi Riyals 46.57 million) from rental of investment properties, which is recorded on an accrual basis in accordance with the terms of the corresponding contracts.

#### 7 FINANCE INCOME

	<b>For the six-month period ended 30 June</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>2024</b>	<b>2023</b>
Finance income on investment in finance leases (Note 13)	<b>5,403,942</b>	5,596,171

## 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 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 0.95% as at 30 June 2024 (31 December 2023: 1.2%) of the Fund's total assets after deducting accrued fee and expenses. For the six-month period ended 30 June 2024, management fee amounted to Saudi Riyals 7.5 million (for the six-month period ended 30 June 2023: Saudi Riyals 9.2 million).

#### 9 OTHER OPERATING EXPENSES

	Note	For the six-month period ended 30 June	
		(Unaudited) 2024	(Unaudited) 2023
Properties maintenance expenses	9.1	6,814,716	7,675,294
Manpower expenses	9.1	3,140,691	2,719,416
Property management fee		1,011,968	770,859
Fees and subscriptions		410,118	426,612
Valuation fee		131,150	114,720
Board of director's fee		20,000	20,000
Other		373,489	486,452
		<b>11,902,132</b>	<b>12,213,353</b>

9.1 This represents the expenses incurred on investment properties i.e. maintenance, utilities, and other miscellaneous operating expenses.

#### 10 FINANCE COST

	Note	For the six-month period ended 30 June	
		(Unaudited) 2024	(Unaudited) 2023
Finance cost on borrowings	18	25,912,774	22,405,088
Finance cost on lease liabilities	19	2,875,649	3,027,977
Amortization of loan arrangement fee	10.1	949,819	1,418,009
Arrangement fee written-off		-	1,904,464
		<b>29,738,242</b>	<b>28,755,538</b>

10.1 Loan arrangement fee constitutes administrative and consultancy fee on the unavailed loan facility arrange by the Fund. Such arrangement fee for the loan is amortized over the loan term once the loan facilities are withdrawn.

#### 11 ZAKAT PROVISION

As per the ZATCA resolution no 29791 (the "Resolution") issued in 2023, the investment funds are not required to pay any zakat and are only required to be registered with the ZATCA. The Resolution further explained that the unitholders are responsible to pay the zakat in lieu of their investments in funds without any liability on part of the funds.

**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 INVESTMENT PROPERTIES**

	Note	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Owned investment properties	12.1	1,224,583,826	1,241,933,569
Right-of-use assets	12.2	76,641,213	80,709,369
		<b>1,301,225,039</b>	<b>1,322,642,938</b>

**12.1 Owned investment properties**

	Land	Buildings	Furniture and fixtures	Leasehold improvements	Total
<b>2024</b>					
<b>Cost</b>					
At 1 January and 30 June	639,921,589	659,826,250	66,561,648	-	1,366,309,487
<b>Accumulated depreciation and impairment</b>					
At 1 January	10,311,085	77,360,268	36,704,565	-	124,375,918
Charge for the period	-	8,177,509	3,317,147	-	11,494,656
Impairment for the period	4,416,938	1,438,149	-	-	5,855,087
<b>At 30 June</b>	<b>14,728,023</b>	<b>86,975,926</b>	<b>40,021,712</b>	<b>-</b>	<b>141,725,661</b>
<b>Net book value at 30 June (unaudited)</b>	<b>625,193,566</b>	<b>572,850,324</b>	<b>26,539,936</b>	<b>-</b>	<b>1,224,583,826</b>
<b>2023</b>					
<b>Cost</b>					
At 1 January	639,921,589	650,641,688	66,561,648	6,785,241	1,363,910,166
Additions during the year	-	-	-	2,399,321	2,399,321
Transfer	-	9,184,562	-	(9,184,562)	-
<b>At 31 December</b>	<b>639,921,589</b>	<b>659,826,250</b>	<b>66,561,648</b>	<b>-</b>	<b>1,366,309,487</b>
<b>Accumulated depreciation and reversal of impairment</b>					
At 1 January	19,478,816	66,992,590	30,052,047	-	116,523,453
Reversal of impairment	(9,167,731)	(5,827,464)	-	-	(14,995,195)
Charge for the year	-	16,195,142	6,652,518	-	22,847,660
<b>At 31 December</b>	<b>10,311,085</b>	<b>77,360,268</b>	<b>36,704,565</b>	<b>-</b>	<b>124,375,918</b>
<b>Net book value at 31 December (audited)</b>	<b>629,610,504</b>	<b>582,465,982</b>	<b>29,857,083</b>	<b>-</b>	<b>1,241,933,569</b>

## 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)

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## 12 INVESTMENT PROPERTIES (continued)

### 12.1 Owned investment properties (continued)

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").

As at 30 June 2024, the carrying value of investment properties amounted to Saudi Riyals 1,224.5 million (31 December 2023: 1,241.9 million), out of which certain investment properties with a net book value of Saudi Riyals 1,036.2 million (31 December 2023: Saudi Riyals 1,137.5 million) are pledged as security against borrowings obtained from commercial banks (also see Note 18).

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:

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

As at 30 June 2024, the average valuation of the above investment properties amounted to Saudi Riyals 1,303.41 million (31 December 2023: Saudi Riyals 1,304.27 million). Based on the results of the independent valuations, the Fund has recorded an impairment loss amounting to Saudi Riyals 5.9 million on one of the owned investment properties as at 30 June 2024, as fair valuation was lower than carrying value of such property by the same amount. Key assumptions used for the valuation of investment properties include discount rate ranging from 8.5% to 11.2% (31 December 2023: 8.5% to 11%) and income yield rate ranging from 7% to 12% (31 December 2023: 7% to 9%).

#### Fair value hierarchy

The fair value of investment properties is classified in the level - 3 of fair value hierarchy, as the valuation is carried out with reference to the observable market data, among other factors. Key assumptions used for the valuation of investment properties include the following:

**Discount rates** reflecting current market assessments of the uncertainty in the amount and timing of cash flows range used by the two evaluators is 8.5% to 11.2% (31 December 2023: 8.5% to 11%).

**Capitalisation rates** based on actual location, size and quality of the properties and considering market data at the valuation date range used by the two evaluators is 7% to 12% (31 December 2023: 7% to 9%).

**Future rental cash inflows** based on the actual location, type, and quality of the properties and supported by the terms of any existing lease, other contracts, or external evidence such as current market rents for similar properties.

**Estimated vacancy rates** based on current and expected future market conditions after expiry of any current lease.

**Maintenance costs** including necessary investments to maintain functionality of the property for its expected useful life.

**Terminal value** considering assumptions regarding maintenance costs, vacancy rates and market rents. There were no changes to the valuation techniques during the year.

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.

**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 INVESTMENT PROPERTIES (continued)****12.2 Right-of-use assets**

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>2024</b>			
<b>Cost</b>			
At 1 January and 30 June	<b>62,573,296</b>	<b>58,430,976</b>	<b>121,004,272</b>
<b>Accumulated amortization</b>			
At 1 January	<b>21,086,540</b>	<b>19,208,363</b>	<b>40,294,903</b>
Charge for the period	<b>2,304,416</b>	<b>1,763,740</b>	<b>4,068,156</b>
<b>At 30 June</b>	<b>23,390,956</b>	<b>20,972,103</b>	<b>44,363,059</b>
<b>Net book value at 30 June (unaudited)</b>	<b>39,182,340</b>	<b>37,458,873</b>	<b>76,641,213</b>
<b>2023</b>			
<b>Cost</b>			
At 1 January	61,310,273	58,430,976	119,741,249
Additions during the year	1,263,023	-	1,263,023
<b>At 31 December</b>	<b>62,573,296</b>	<b>58,430,976</b>	<b>121,004,272</b>
<b>Accumulated amortization</b>			
At 1 January	16,465,045	15,671,191	32,136,236
Charge for the year	4,621,495	3,537,172	8,158,667
<b>At 31 December</b>	<b>21,086,540</b>	<b>19,208,363</b>	<b>40,294,903</b>
<b>Net book value at 31 December (audited)</b>	<b>41,486,756</b>	<b>39,222,613</b>	<b>80,709,369</b>

**Depreciation and amortization charge for the period / year is attributable to:**

	<b>As at 30 June 2024</b>	As at 31 December 2023
	<b>Unaudited</b>	Audited
Owned investment properties	<b>11,494,656</b>	22,847,660
Right of use assets	<b>4,068,156</b>	8,158,667
	<b>15,562,812</b>	31,006,327

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.

The fair values of the ROU assets are based on valuations performed by WASM Valuation and Abaad Real Estate Valuation (31 December 2023: Qiam Valuation Company and Abaad Real Estate Valuation,) that are independent valuers accredited by the Saudi Authority for Accredited Valuers.

The Fund has subleased certain parts investment properties carried under the ROU assets, through finance lease agreements with third party lessees.

## 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 INVESTMENT PROPERTIES (continued)

### 12.2 Right-of-use assets (continued)

As at 30 June 2024, the average valuation of the buildings amounted to Saudi Riyals 66.7 million (31 December 2023: Saudi Riyals 67.4 million) calculated by allocating the overall average valuation of the acquired right-of-use for buildings amounted to Saudi Riyals 133.4 million (31 December 2023: Saudi Riyals 136.1 million) to the remaining area after the derecognition of the portion of buildings that was derecognised on finance lease arrangements.

#### Fair value hierarchy

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

The fair value of investment properties is classified in the level - 3 of fair value hierarchy, as the valuation is carried out with reference to the observable market data, among other factors. Key assumptions used for the valuation of investment properties include the following:

Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows range used by the two evaluators is 9.1% to 11% (31 December 2023: 10% to 11%).

Future rental cash inflows based on the actual location, type, and quality of the properties and supported by the terms of any existing lease, other contracts, or external evidence such as current market rents for similar properties.

Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease.

Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life.

Terminal value considering assumptions regarding maintenance costs, vacancy rates and market rents. There were no changes to the valuation techniques during the period.

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.

### 12.3 Effect on net assets attributable per unit if investment properties are fair valued

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Estimated fair value of investment properties based on the average of the two valuers	1,370,112,076	1,371,705,297
Less: the carrying value of investment property	1,307,080,126	1,322,642,938
Estimated fair value in excess of book value	<b>63,031,950</b>	49,062,359
Change in net assets attributable per unit based on fair value	<b>0.72</b>	0.56
Net assets attributable to unit holders before fair value adjustment	767,258,872	784,760,569
Estimated fair value in excess of book value	<b>63,031,950</b>	49,062,359
Net assets attributable to unit holders after fair value adjustment	<b>830,290,822</b>	833,822,928
<i>Net asset attributable to each unit:</i>		
Net assets attributable per unit (Saudi Riyals) before fair value adjustment	<b>8.72</b>	8.92
Net assets attributable per unit (Saudi Riyals) after fair value adjustment	<b>9.44</b>	9.48

## 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)

#### 13 NET INVESTMENT IN FINANCE LEASES

The Company has entered into finance lease agreements for certain investment properties across the Kingdom of Saudi Arabia. The lease tenure ranges from ten to twenty years. Lease terms are negotiated on aggregate basis and contain the same terms and conditions. The lease agreements do not impose any covenants.

Net investment in finance leases consists of:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Gross investment in finance leases	305,161,116	314,294,229
Less: Unearned finance income	(98,213,227)	(103,617,169)
	<u>206,947,889</u>	<u>210,677,060</u>

The maturity analysis of investment in finance leases as at 30 June 2024 is as follows:

	Less than one year	Two to five years	More than five years	Total
Gross lease receivables	21,815,105	112,675,020	170,670,991	305,161,116
Finance income	(10,784,478)	(43,291,057)	(44,137,692)	(98,213,227)
	<u>11,030,627</u>	<u>69,383,963</u>	<u>126,533,299</u>	<u>206,947,889</u>

The maturity analysis of investment in finance lease as at 31 December 2023 is as follows:

	Less than one year	Two to five years	More than five years	Total
Gross lease receivables	21,674,326	111,983,728	180,636,175	314,294,229
Finance income	(11,070,471)	(44,921,714)	(47,624,984)	(103,617,169)
	<u>10,603,855</u>	<u>67,062,014</u>	<u>133,011,191</u>	<u>210,677,060</u>

Net investment in finance lease does not include any receivable balances which are either past due or impaired.

#### 14 LEASE RENTAL RECEIVABLES

		As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Lease receivables:			
- Billed		54,074,253	45,931,944
- Unbilled		9,901,106	7,274,521
<b>Total receivables</b>	14.1	<u>63,975,359</u>	53,206,465
Less: allowance for expected credit losses	14.2	<u>(14,210,936)</u>	(14,210,936)
		<u>49,764,423</u>	<u>38,995,529</u>

**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)

**14 LEASE RENTAL RECEIVABLES (Continued)**

14.1 An aged analysis of lease receivables as at 30 June 2024 and 31 December 2023 is as follows:

	Neither past due nor impaired	< 180 days	181-270 days	270-365 days	> 365 days	Total
<b>At 30 June 2024</b>	<b>9,901,107</b>	<b>22,608,969</b>	<b>1,454,696</b>	<b>2,369,878</b>	<b>27,640,709</b>	<b>63,975,359</b>
At 31 December 2023	7,274,521	12,101,695	5,937,670	7,737,104	20,155,475	53,206,465

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

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

	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	(Audited)
At the beginning of the period / year	<b>14,210,936</b>	12,325,508
Provision charged during the period / year	-	1,885,428
At the end of period / year	<b>14,210,936</b>	14,210,936

Lease rental receivables include certain amounts that are past due but not impaired. Based on historical experience, it is expected that all receivables for lease contracts that have not been fully impaired will be collected. Further, the Fund also has other guarantees in the form of promissory notes issued by such parties.

**15 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

During 2020, the Fund made an investment in Musharaka Murabihat 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"). For six-month period ended 30 June 2024, unrealized gain on such investment amounted to Saudi Riyals 0.05 million (31 December 2023: Saudi Riyals 0.15 million).

Movement in investments carried at fair value through profit or loss is as follows:

	As at 30 June 2024	As at 31 December 2023
	(Unaudited)	(Audited)
As at 1 January	<b>5,459,650</b>	5,312,150
Additions during the period	<b>3,000,000</b>	-
Disposal during the period	<b>(3,978,890)</b>	-
Unrealized fair value gain	<b>49,672</b>	147,500
<b>At 30 June 2024 (unaudited)</b>	<b>4,530,432</b>	5,459,650



## 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)

#### 15 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

##### Gain from investments carried at FVTPL

	For the six-month period ended 30 June	
	(Unaudited) 2024	(Unaudited) 2023
Realized gain from investments carried at FVTPL	57,361	-
Unrealized gain from investments carried at FVTPL	49,672	81,400
	<b>107,033</b>	<b>81,400</b>

#### 16 CASH AND CASH EQUIVALENTS

	As at	As at
	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Term deposits	38,756,678	-
Cash at banks	1,839,276	8,377,682
	<b>40,595,954</b>	<b>8,377,682</b>

Term deposits represent amounts invested by the Fund with the Fund Manager under short-term Murabaha deposits, and have an original maturity of less than three months from the placement date with a profit ranging from 5.6% to 6.2% per annum. As at 30 June 2024, accrued finance income on such deposit amounted to Saudi Riyals 0.25 million.

#### 17 SHORT-TERM MURABAHA DEPOSITS

At 31 December 2023, short-term Murabaha deposits represent amounts invested by the Fund in Murabaha deposits held with a local commercial bank, and have an original maturity of more than 3 months from the placement date with a profit rates ranging from 4.5% to 5.7% per annum. As at year end, accrued finance income on such deposits amounted to Nil.

#### 18 BORROWINGS

	As at	As at
	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Long term loan	668,556,977	668,556,977
Less: transaction costs	(5,886,369)	(6,836,188)
	<b>662,670,608</b>	<b>661,720,789</b>

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, which commensurate with the market rate, and is repayable in a single lumpsum payment after seven years from the date of initial withdrawal. Financial cost is payable on a semi-annual basis.

During the year 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 investment properties and to support the working capital requirements.

**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)

**18 BORROWINGS (continued)**

This facility carries financial cost at SIBOR (6 months) plus a margin, which is commensurate with the market rate, and is repayable on a single lumpsum payment after seven years from the date of withdrawal. Financial cost is payable on a semiannual basis.

The above described loans are secured by a mortgage on certain investment properties. Also see Note 12.

**19 LEASE LIABILITIES**

	<b>As at 30 June 2024</b>	As at 31 December 2023
	<b>(Unaudited)</b>	(Audited)
Gross lease liabilities	<b>161,741,283</b>	170,261,283
Less: finance charges not yet due	<b>(34,796,514)</b>	(37,672,163)
	<b>126,944,769</b>	132,589,120
	<b>As at 30 June 2024</b>	As at 31 December 2023
	<b>(Unaudited)</b>	(Audited)
At 1 January	<b>132,589,120</b>	139,419,106
Addition	-	1,263,023
Finance cost for the period / year	<b>2,875,649</b>	6,046,991
Rent concession	<b>(450,000)</b>	(520,000)
Payment	<b>(8,070,000)</b>	(13,620,000)
	<b>126,944,769</b>	132,589,120

Lease liabilities represent present value of minimum lease payments for land lease. During the six-month period ended 30 June 2024, the Fund received concession on one of the land parcels carried under lease arrangements amounting to Saudi Riyals 450,000 (31 December 2023: Saudi Riyals 520,000) that has been recognized as other income.

The maturity analysis of lease liabilities as at 30 June 2024 is as follows:

	<b>Less than one year</b>	<b>Two to five years</b>	<b>More than five years</b>	<b>Total</b>
Gross lease liabilities	<b>14,397,000</b>	<b>55,177,703</b>	<b>92,166,580</b>	<b>161,741,283</b>
Finance cost not yet due	<b>(5,437,744)</b>	<b>(17,622,479)</b>	<b>(11,736,291)</b>	<b>(34,796,514)</b>
	<b>8,959,256</b>	<b>37,555,224</b>	<b>80,430,289</b>	<b>126,944,769</b>

The maturity analysis of lease liabilities as at 31 December 2023 is as follows:

	<b>Less than one year</b>	<b>Two to five years</b>	<b>More than five years</b>	<b>Total</b>
Gross lease liabilities	20,367,000	55,952,703	93,941,580	170,261,283
Finance cost not yet due	(5,665,555)	(18,494,990)	(13,511,618)	(37,672,163)
	14,701,445	37,457,713	80,429,962	132,589,120

## 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 UNEARNED RENTAL REVENUE

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

#### 21 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Accrued finance costs	16,068,381	15,090,373
Property operating expenses	7,796,205	5,927,888
Security deposits	3,339,397	3,357,314
Value added tax ("VAT") payable	608,465	206,198
Accrued expenses	457,541	473,138
Other	1,275,784	1,008,999
	<u>29,545,773</u>	<u>26,063,910</u>

#### 22 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the Fund Manager, Al-Inma Investment Company (Custodian), the unitholders, the Fund's Board and the Fund Sharia Committee. Related parties also include business entities in which Fund manager, or certain members of the senior management have an interest. All the related party transactions are approved by the Fund's Board.

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

##### a) Related parties transactions

Related party	Nature of transaction with related party	For the six-month period ended 30	
		(Unaudited) 2024	(Unaudited) June 2023
Fund Manager	Term deposits	38,503,728	-
	Finance income on term deposits	252,950	-
Fund Manager	Management fees	7,500,962	9,197,801
Fund Board	Board of Directors remunerations	20,000	20,000
Sharia Committee	Sharia Committee remunerations	16,410	16,364
Custodian	Custody fee	49,727	49,589

The Fund Manager's investment in the Fund at 30 June 2024 is 4.64 million units (31 December 2023 is 4.64 million units).

## 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)

## 22 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

### b) Due to related parties

Related party	As at	As at
	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
Fund Manager (accrued management fee)	8,626,104	11,239,508
Custodian (accrued custody fee presented under accrued expenses)	291,394	241,667
Term deposits (Note 16)	38,756,678	-
	<b>47,674,176</b>	<b>11,481,175</b>

The basis and term of payment as per terms and conditions of the Fund approved by CMA as follows:

Type of fee	Basis and rate	Payment term
Management fees	0.95 % (2023: 1.2%) of the total assets after deducting accrued fees and expense	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
Loan arrangement fees	Up to 1.5% of the arranged facility	Upon arrangement

## 23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Non-current portion of net investment in finance leases (Note 13), long term loan and non-current portion of lease liabilities (Note 19 and 20) are expected to be realized after twelve (12) months from the reporting date. All other financial assets and liabilities are of a current nature.

## 24 DIVIDENDS

During the six-month period ended 30 June 2024, the Fund Board paid dividends of Saudi Riyals 8.8 million (for the six-month period ended 30 June 2023: Saudi Riyals 17.6 million). 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.

**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)

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**25 SUPPLEMENTAL NON-CASH ACTIVITIES**

		<b>For the six-month period ended 30</b>	
		<b>June</b>	
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>2024</b>	<b>2023</b>
	<b>Note</b>		
Amortization of loan arrangement fee	10	<b>949,819</b>	1,418,009
Additions to right-of-use assets and lease liabilities	12, 20	-	1,263,023

**26 SUBSEQUENT EVENT**

Subsequent to the period end, there have been no significant events that would have a material impact on this condensed interim financial information.

**27 APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION**

The condensed interim financial information was approved by the Fund's Board on 7 August 2024 (corresponding to 3 Safar 1446H).