

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025
WITH
INDEPENDENT AUDITOR'S REVIEW REPORT**

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REVIEW
REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**

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المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of Musharaka REIT Fund

Introduction

We have reviewed the accompanying 30 June 2025 condensed interim financial statements of Musharaka REIT Fund ("the Fund") which comprises:

- the condensed statement of profit or loss and other comprehensive income for the six month period ended 30 June 2025;
- the condensed statement of financial position as at 30 June 2025;
- the condensed statement of changes in net assets attributable to the unitholders for the six month period ended 30 June 2025;
- the condensed statement of cash flows for the the six month period ended 30 June 2025; and
- the notes to the condensed interim financial statements.

Fund manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by Capital Market Authority and the Fund's Terms and Conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Fund that is endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 30 June 2025 condensed interim financial statements of Musharaka REIT Fund are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of Musharaka REIT Fund (continued)

Other matter relating to comparative information

The condensed interim financial statements of the Fund for the six month period 30 June 2024 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 7 August 2024 and the financial statements of the Fund as at and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 March 2025.

KPMG Professional Services Company



Mohammad Najeeb Alkhelaiwi
License No: 481



Al Khobar, 7 August 2025G
Corresponding to: 13 Safar 1447H

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	For the six-month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Rental revenue	5	45,608,210	48,991,157
Finance income on net investment in finance leases	5	5,109,477	5,403,942
Other operating income	5	708,452	557,033
Total income		51,426,139	54,952,132
Depreciation	10	(15,518,111)	(15,562,812)
Fund management fee	6	(7,233,115)	(7,500,962)
Other operating expenses	7	(8,764,586)	(11,902,132)
Impairment charge on investment properties	10	(7,312,939)	(5,855,087)
Total expenses		(38,828,751)	(40,820,993)
Total income from operations		12,597,388	14,131,139
Finance cost	8	(26,315,970)	(29,738,242)
Finance income on short term murabaha deposits	13	955,868	1,050,319
Loss for the period		(12,762,714)	(14,556,784)
Other comprehensive income		-	-
Decrease in net assets attributable to the unitholders		(12,762,714)	(14,556,784)
Weighted average number of units		88,000,000	88,000,000
Basic and diluted loss per unit	18	(0.15)	(0.17)

The accompanying notes from 1 to 20 form an integral part of these condensed interim financial statements.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

CONDENSED STATEMENT OF FINANCIAL POSITION
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Assets			
Investment properties	10	1,262,660,158	1,285,491,208
Net investment in finance leases	11	195,294,896	200,829,746
Lease rental receivables	12	43,809,060	40,865,164
Prepayments and other assets		3,165,233	2,663,218
Investments carried at fair value through profit or loss		508,452	-
Cash and cash equivalents	13	37,329,227	57,928,549
Total assets		1,542,767,026	1,587,777,885
Liabilities			
Borrowings	14	678,444,908	678,329,548
Lease liabilities	15	118,089,515	126,355,312
Unearned rental revenue	5	10,552,175	19,162,393
Accrued expenses and other liabilities		8,115,143	10,669,177
Accrued fund management fee	16	7,776,898	8,390,354
Total liabilities		822,978,639	842,906,784
Net assets (equity) attributable to the unitholders		719,788,387	744,871,101
Units in issue (Numbers)		88,000,000	88,000,000
Per unit value (Saudi Riyals)		8.18	8.46

The accompanying notes from 1 to 20 form an integral part of these condensed interim financial statements.

MUSHARAKA REIT FUND

(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**

(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	For the six-month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
As at 1 January		744,871,101	784,760,569
Change from operations			
Decrease in net assets attributable to the unitholders		(12,762,714)	(14,556,784)
Dividends	18	(12,320,000)	(8,800,000)
		(25,082,714)	(23,356,784)
As at 30 June		719,788,387	761,403,785

The accompanying notes from 1 to 20 form an integral part of these condensed interim financial statements.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	For the six-month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Cash flows from operating activities			
Loss for the period		(12,762,714)	(14,556,784)
Adjustment for:			
Depreciation	10	15,518,111	15,562,812
Impairment loss on investment properties	10	7,312,939	5,855,087
Unrealised gain on investments carried at fair value through profit or loss (FVTPL)		(8,452)	(49,672)
Finance income on short term murabaha deposits	13	(955,868)	(1,050,319)
Finance costs	8	26,315,970	29,738,242
Finance income on net investment in finance leases	5	(5,109,477)	(5,403,942)
Changes in operating assets and liabilities:			
Increase in lease rental receivables		(2,943,896)	(10,768,894)
Increase in prepayments and other assets		(762,015)	(408,533)
(Increase) / decrease in investments carried at FVTPL		(500,000)	978,890
Decrease in unearned rental revenue		(8,610,218)	(772,365)
Decrease in accrued fund management fee		(613,456)	(2,613,404)
(Decrease) / increase in accrued expenses and other liabilities		(3,254,034)	2,503,855
Net cashflows from operations		13,626,890	19,014,973
Finance cost paid		(23,544,407)	(24,934,766)
Net cash used in operating activities		(9,917,517)	(5,919,793)
Cash flows from investing activities			
Proceeds (principal) from investment in finance lease		6,234,850	3,729,171
Finance income received		6,325,345	6,454,261
Proceeds from maturity of short-term murabaha deposits		-	45,274,633
Net cash generated from investing activities		12,560,195	55,458,065
Cash flows from financing activities			
Principal repayment of lease liabilities		(8,265,797)	(5,644,351)
Finance cost paid of lease liabilities	8	(2,656,203)	(2,875,649)
Dividends paid	17	(12,320,000)	(8,800,000)
Net cash used in financing activities		(23,242,000)	(17,320,000)
Net change in cash and cash equivalents		(20,599,322)	32,218,272
Cash and cash equivalents at beginning of period		57,928,549	8,377,682
Cash and cash equivalents at end of period		37,329,227	40,595,954
Significant non-cash items:			
Amortization of transaction cost on borrowings	8	938,032	949,819

The accompanying notes from 1 to 20 form an integral part of these condensed interim financial statements.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(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 offering of the units of the Fund was 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 2024, the Fund Manager reduced the management fee from 1.2% to 0.95% with effect from 1 January 2024 and updated the Fund’s terms and conditions resulting from this change. 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 24 February 2021).

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statement for the six-month period ended 30 June 2025 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 endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and the applicable provisions of the Real Estate Investment Funds Regulations published by CMA, and Fund’s terms and conditions. These condensed interim financial statements should be read in conjunction with the Fund’s annual audited financial statements as at and for the year ended 31 December 2024.

2.2 Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis except for investments that are carried at fair value through profit or loss (“FVTPL”) that have been measured at fair value.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Functional and presentation currency

Items included in these condensed interim financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates (the “functional currency”). These condensed interim financial statements are presented in Saudi Riyals (SR) which is also Fund’s functional currency.

2.4 New and amended standards adopted by the Fund

New and revised standards with no material effects on these condensed interim financial statements:

The following standard has been adopted. The application of this revised standard did not have any material impact on the amounts reported for current and prior periods.

- Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, effective for annual periods beginning on or after 1 January 2025.

New and revised standards issued but not effective:

The Fund has not early adopted the following new and revised standards that have been issued but are not yet effective.

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, effective for annual periods beginning on or after 1 January 2026.
- Annual Improvements to IFRS Accounting Standards - Amendments to, effective for annual periods beginning on or after 1 January 2026.
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash flows
- Contracts Referencing Nature – Dependent Electricity – Amendments to IFRS 9 and IFRS 7, effective for annual periods beginning on or after 1 January 2026.
- IFRS 18 *Presentation and Disclosure in Financial Statements*, effective for annual periods beginning on or after 1 January 2027.
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, effective for annual periods beginning on or after 1 January 2027.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Venture*, effective date is to be determined.

The application of the new and revised standards will not have any material impact on the amounts reported for current period.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Fund’s annual audited financial statements as at and for the year ended 31 December 2024. A number of amendments to existing standards, new and revised standards that have been issued but are not effective and their impact on the amounts reported for current and prior periods is detailed in note 2.4.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

4. USE OF ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these condensed interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. There are no significant changes in critical accounting estimates and judgements used by management in the preparation of these condensed interim financial statements from those that were applied and disclosed in the Fund's annual audited financial statements as at and for the year ended 31 December 2024.

The Fund's assess the classification of units as equity as it meets the following conditions:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

5. OPERATING INCOME

	<u>Notes</u>	For the six-month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Rental revenue	5.1	45,608,210	48,991,157
Finance income on net investments in finance leases	5.2	5,109,477	5,403,942
Total income from investment properties		50,717,687	54,395,099
Other operating income	5.3	708,452	557,033
		51,426,139	54,952,132

5.1 It represents the revenue earned from rental of investment properties which is recorded on an accrual basis in accordance with the terms of the corresponding contracts.

5.2 It represents the return on net investments in finance leases recognized over the lease term using the effective interest rate method.

5.3 It includes gain on the investments carried at fair value through profit or loss (level 1) for the period amounting to SR 8,452 (for the six month period ended 30 June 2024 amounting to SR 107,033).

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5. OPERATING INCOME (CONTINUED)

5.4 Income earned from investment properties is as follows:

	Notes	For the six-month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Income earned from owned properties	10.1	40,892,672	44,043,030
Income earned from leasehold properties	10.2	9,825,015	10,352,069
		<u>50,717,687</u>	<u>54,395,099</u>

5.5 Contract balances

The following table provides information about receivables and contract liabilities from lease agreements with tenants.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Lease rental receivables (note 12)	43,809,060	40,865,164
Unearned rental income (contract liabilities)	(10,552,175)	(19,162,393)

Lease rental receivables includes unbilled receivable amounting to SR 9.9 million (31 December 2024: 6.8 million) representing the Fund's right to receive the rental for which invoices have not yet been issued and unearned rental income represents the rental income due or received in advance.

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 0.95% as at 30 June 2025 (31 December 2024: 0.95%) of the Fund's total assets after deducting accrued fee and expenses. For the six-month period ended 30 June 2025, management fee amounted to Saudi Riyals 7.2 million (for the six-month period ended 30 June 2024: Saudi Riyals 7.5 million).

7 OTHER OPERATING EXPENSES

	Note	For the six month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Properties maintenance expenses	7.1	7,861,165	10,967,375
Fees and subscriptions		854,797	561,268
Others		48,624	373,489
		<u>8,764,586</u>	<u>11,902,132</u>

7.1 This represents the property management fees and expenses incurred on investment properties i.e. maintenance, utilities, and other miscellaneous operating expenses.

MUSHARAKA REIT FUND
(MANAGED BY MUSHARAKA CAPITAL COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

8 FINANCE COST

	Notes	For the six month period ended 30 June	
		2025 (Unaudited)	2024 (Unaudited)
Finance cost on borrowings		22,721,735	25,912,774
Finance cost on lease liabilities	15	2,656,203	2,875,649
Amortization of transaction cost on borrowings	14	938,032	949,819
		26,315,970	29,738,242

9 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.

10 INVESTMENT PROPERTIES

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Owned investment properties	10.1	1,194,177,608	1,212,962,855
Right-of-use assets	10.2	68,482,550	72,528,353
		1,262,660,158	1,285,491,208

10.1 Owned investment properties

2025 (Unaudited)	Land	Buildings	Furniture and fixtures	Total
<u>Cost</u>				
As at 1 January and 30 June	639,921,589	659,826,250	66,561,648	1,366,309,487
<u>Accumulated depreciation and impairment</u>				
As at 1 January	14,728,023	95,243,298	43,375,311	153,346,632
Charge for the period	-	8,173,387	3,298,921	11,472,308
Impairment charge for the period	3,973,122	3,339,817	-	7,312,939
As at 30 June	18,701,145	106,756,502	46,674,232	172,131,879
Carrying amount as at 30 June	621,220,444	553,069,748	19,887,416	1,194,177,608

MUSHARAKA REIT FUND
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

10. INVESTMENT PROPERTIES (CONTINUED)

10.1 Owned investment properties (continued)

	Land	Buildings	Furniture and fixtures	Total
2024 (Audited)				
<u>Cost</u>				
As at 1 January and 31 December	639,921,589	659,826,250	66,561,648	1,366,309,487
<u>Accumulated depreciation and impairment</u>				
As at 1 January	10,311,085	77,360,268	36,704,565	124,375,918
Charge for the year	-	16,444,881	6,670,746	23,115,627
Impairment charge for the year	4,416,938	1,438,149	-	5,855,087
As at 31 December	14,728,023	95,243,298	43,375,311	153,346,632
Carrying amount as at 31 December	625,193,566	564,582,952	23,186,337	1,212,962,855

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 located in the United Arab Emirates ("UAE").

As at 30 June 2025, the carrying amount of owned investment properties of SR 1,100.7 million (31 December 2024: SR 1,111 million) are pledged as security against borrowings obtained from commercial banks.

Based on the results of the independent valuation exercise as on 30 June 2025, the Fund has recognised an impairment charge of SR 7.31 million (for the six month period ended 30 June 2024: SR 5.86 million) on two investment properties, Pearl Residential Compound - 22,500 Square meters ("Pearl") and Seashore Residential Compound - 38,103 Square meters ("Seashore"). Both properties are located in Al-Khobar, Kingdom of Saudi Arabia.

As per the Fund's policy, recoverable amount has been determined by taking the average of the fair values of two valuers accredited by Saudi Authority for Accredited Valuers. The following table summarizes the details of investment properties, its carrying and fair values and impairment charge for the period:

Property name	Carrying amount before impairment charge	Fair value as on 30 June 2025			Impairment charge for the six-month period ended 30 June 2025
		WASM	ABAAD	Average Fair value	
Pearl	333,620,846	333,800,000	322,530,000	328,165,000	5,455,846
Seashore	125,782,093	126,000,000	121,850,000	123,925,000	1,857,093
					7,312,939

Details of the valuers and key assumptions used for the fair valuation has been disclosed in the note 10.4 of these condensed interim financial statements.

MUSHARAKA REIT FUND
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2025**
(ALL AMOUNTS IN SAUDI RIYALS UNLESS OTHERWISE STATED)

10. INVESTMENT PROPERTIES (CONTINUED)

10.1 Owned investment properties (continued)

Average fair value of owned investment properties are as follows:

Property name	City	Sector	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Ajzala Residential Complex	Al-Khobar	Residential	150,070,000	141,800,000
Pearl Residential Complex	Al-Khobar	Residential	328,165,000	335,270,000
Sea Shore Residential Complex	Al-Khobar	Residential	123,925,000	127,865,000
Kharj Plaza Complex	Al-Kharj	Commercial	43,483,950	61,455,000
Hotel Apartments Dharan	Al-Khobar	Hospitality	79,473,000	83,177,000
Gardino Hotel	Riyadh	Hospitality	98,772,500	97,943,000
Verdun Tower	Riyadh	Commercial	292,095,500	294,653,000
Al Bazai Automotive Showroom	Riyadh	Industrial	76,208,500	72,140,500
Al Barakah Warehouse	Riyadh	Industrial	90,570,500	91,454,000
The Box Self Storage Warehouse	Dubai	Commercial	22,380,840	58,950,000
			1,305,144,790	1,364,707,500

The following income is generated from owned investment properties for the six month period ended 30 June:

Property name	City	Sector	2025 (Unaudited)	2024 (Unaudited)
Ajzala Residential Complex	Al-Khobar	Residential	3,030,758	2,668,257
Pearl Residential Complex	Al-Khobar	Residential	6,797,346	7,399,209
Sea Shore Residential Complex	Al-Khobar	Residential	2,280,239	2,432,751
Kharj Plaza Complex	Al-Kharj	Commercial	2,172,246	2,293,008
Hotel Apartments Dharan	Al-Khobar	Hospitality	4,374,253	5,375,627
Gardino Hotel	Riyadh	Hospitality	3,922,500	3,922,500
Verdun Tower	Riyadh	Commercial	9,676,376	12,196,837
Al Bazai Automotive Showroom	Riyadh	Industrial	3,106,848	3,088,335
Al Barakah Warehouse	Riyadh	Industrial	3,240,000	2,369,781
The Box Self Storage Warehouse	Dubai	Commercial	2,292,106	2,296,725
			40,892,672	44,043,030

10.2 Right-of-use assets (leasehold investment properties)

2025 (Unaudited)	Land	Buildings	Total
<u>Cost</u>			
As at 1 January and 30 June	62,573,296	58,430,976	121,004,272
<u>Accumulated depreciation</u>			
As at 1 January	25,695,373	22,780,546	48,475,919
Charge for the period	2,291,754	1,754,049	4,045,803
As at 30 June	27,987,127	24,534,595	52,521,722
Carrying amount as at 30 June	34,856,169	33,896,381	68,482,550

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10. INVESTMENT PROPERTIES (CONTINUED)

10.2 Right-of-use assets (continued)

2024 (Audited)	Land	Buildings	Total
<u>Cost</u>			
As at 1 January and 31 December	<u>62,573,296</u>	<u>58,430,976</u>	<u>121,004,272</u>
<u>Accumulated depreciation</u>			
At 1 January	21,086,540	19,208,363	40,294,903
Charge for the year	<u>4,608,833</u>	<u>3,572,183</u>	<u>8,181,016</u>
As at 31 December	<u>25,695,373</u>	<u>22,780,546</u>	<u>48,475,919</u>
Carrying amount as at 31 December	<u>36,877,923</u>	<u>35,650,430</u>	<u>72,528,353</u>

The Fund holds right-of-use (“ROU”) for certain commercial properties, i.e. land and buildings for a term ranging from 4 to 16.5 years which are located within the Kingdom of Saudi Arabia. The Fund has subleased certain portions of investment properties carried under the ROU assets, through finance lease agreements with third party lessees.

The following are the average fair values and income generated from leasehold (ROU) investment properties:

Property name	City	Sector	Average fair value as at		Income for the six month period ended 30 June	
			30 June 2025 (Unaudited)	31 December 2024 (Audited)	2025 (Unaudited)	2024 (Audited)
Al Orouba Square	Riyadh	Commercial	9,791,555	9,462,760	3,718,856	4,122,751
Al Jubail Plaza	Al-Jubail	Commercial	48,001,150	46,192,753	3,720,235	3,734,998
Al Faisaliah Plaza	Dammam	Commercial	10,304,640	10,750,800	2,385,924	2,494,320
			<u>68,097,345</u>	<u>66,406,313</u>	<u>9,825,015</u>	<u>10,352,069</u>

10.3 Depreciation and impairment charge for the six month period ended 30 June is as follows:

	2025 (Unaudited)	2024 (Unaudited)
Depreciation charge		
Owned investment properties (note 10.1)	11,472,308	11,494,656
Right of use assets (note 10.2)	<u>4,045,803</u>	<u>4,068,156</u>
	15,518,111	15,562,812
Impairment charge on owned properties (note 10.1)	<u>7,312,939</u>	<u>5,855,087</u>
	<u>22,831,050</u>	<u>21,417,899</u>

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10. INVESTMENT PROPERTIES (CONTINUED)

10.4 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, using the "Discounted Cashflow" approach, accredited by the Saudi Authority for Accredited Valuers:

- WASM United Real Estate Valuation Company ("WASM");
- Abaad Real Estate Valuation ("ABAAD");
- ValuStrat consulting ("ValuStrat"); and
- JLL Valuation ("JLL").

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 reflect current market assessments of the uncertainty in the amount and timing of cash flows range used by the two evaluators is 9.3% to 11.2% (31 December 2024: 9.5% to 11.2%).

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 7.5% to 14 % (31 December 2024: 7.25% to 14%).

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 include 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 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

10.5 Effect on net assets per unit if investment properties are fair valued:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Estimated fair value of investment properties based on the average of the two valuers	1,373,242,135	1,431,113,813
Less: the carrying value of investment properties	(1,262,660,158)	(1,285,491,208)
Estimated fair value in excess of carrying amounts	110,581,977	145,622,605
Change in net assets per unit based on fair value	1.26	1.65
Net assets attributable to unitholders before fair value adjustment	719,788,387	744,871,101
Estimated fair value in excess of carrying amount	110,581,977	145,622,605
Net assets attributable to unit holders after fair value adjustment	830,110,630	890,493,706
Net assets attributable to each unit:		
Net assets per unit (Saudi Riyals) before fair value adjustment	8.18	8.46
Net assets per unit (Saudi Riyals) after fair value adjustment	9.44	10.12

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11 NET INVESTMENT IN FINANCE LEASES

The Fund has entered into finance lease agreements for certain investment properties across the Kingdom of Saudi Arabia. The lease tenure ranges from ten to twenty five years.

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Gross investment in finance leases	283,060,300	293,704,627
Less: Unearned finance income	(87,765,404)	(92,874,881)
	195,294,896	200,829,746

The maturity analysis of investment in finance leases as at 30 June 2025 and 31 December 2024 are as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Less than one year	24,815,817	21,947,905
One to two years	22,080,706	22,080,706
Two to three years	23,903,767	22,080,706
Three to four years	28,487,587	22,651,912
Four to five years	25,045,557	23,222,498
More than five years	158,726,866	181,720,900
Gross investment in finance leases	283,060,300	293,704,627
Unearned finance income	(87,765,404)	(92,874,881)
Net investment in the finance leases	195,294,896	200,829,746

Income generated from net investment in finance leases during the six month period ended 30 June 2025 and 2024 is disclosed in note 5.

12 LEASE RENTAL RECEIVABLES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Lease rental receivables:		
- Billed	48,106,370	48,290,224
- Unbilled	9,913,626	6,785,876
	58,019,996	55,076,100
Less: provision for expected credit losses	(14,210,936)	(14,210,936)
	43,809,060	40,865,164

As on 30 June 2025, an amount of SR 18.75 million was outstanding for more than 365 days (31 December 2024: SR 22.95 million).

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13 CASH AND CASH EQUIVALENTS

	Note	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Term deposits	13.1	31,829,119	52,764,391
Cash at banks	13.2	5,500,108	5,164,158
		<u>37,329,227</u>	<u>57,928,549</u>

13.1 Term deposits represent amounts invested by the Fund with the Fund Manager under short-term murabaha deposits having original maturity of less than three months with a profit ranging from 4.66% to 5.95% per annum (31 December 2024: 4.9% to 6.2% per annum). During the six month period ended 30 June 2025, the Fund has recognised finance income of SR 0.96 million (30 June 2024: SR 1.05 million) and as at 30 June 2025, accrued finance income on such deposits was amounted to SR 0.11 million (31 December 2024: SR 0.37 million).

13.2 Cash at banks amounting to SR 5.2 million (31 December 2024: SR 4.47 million) is held in accounts registered in the name of the fund manager, Musharaka Capital Company, who maintains these funds in a fiduciary capacity on behalf of the Fund. The bank has been formally notified that the funds are client monies held for the benefit of the Fund. Also, fund manager has formally waived its rights over these bank accounts and confirmed that the Fund is solely responsible for managing these accounts, and the fund manager has no rights over the related balances. The Fund exercises full control over the use of these bank balances, which are maintained exclusively for the operations of the fund.

14 BORROWINGS

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Term loan	668,556,977	668,556,977
Less: unamortized transaction cost	<u>(3,988,081)</u>	<u>(4,926,113)</u>
	664,568,897	663,630,864
Accrued finance charges	<u>13,876,012</u>	<u>14,698,684</u>
	<u>678,444,908</u>	<u>678,329,548</u>

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Movement of transaction cost:		
As at beginning of the period / year	4,926,113	6,836,188
Amortization charged for the period / year (note 8)	<u>(938,032)</u>	<u>(1,910,075)</u>
As at end of the period / year	<u>3,988,081</u>	<u>4,926,113</u>

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 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

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14 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.

These facilities from commercial banks are secured by mortgage on certain investment properties (refer note 10). As per the agreement of these facilities, the Fund is required to maintain certain financial and non-financial covenants. As at 31 December 2024, the Fund was in compliance with the applicable covenants. These covenants are subject to testing based on the Fund's annual results and financial position as at 31 December 2025.

15 LEASE LIABILITIES

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
As at beginning of the period / year	126,355,312	132,589,120
Finance cost for the period / year	2,656,203	5,711,192
Lease payments	(10,922,000)	(11,945,000)
As at end of the period / year	118,089,515	126,355,312

Lease liabilities represent present value of minimum lease payments. The maturity analysis of undiscounted lease liabilities is as follows:

	<u>Less than 1 year</u>	<u>2 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
30 June 2025 (Unaudited)				
Gross lease liabilities	15,822,004	26,694,000	104,828,280	147,344,284
Finance cost not yet due	(5,019,433)	(8,944,482)	(15,290,854)	(29,254,769)
	10,802,570	17,749,518	89,537,426	118,089,515
31 December 2024 (Audited)				
Gross lease liabilities	14,647,000	54,727,703	88,941,580	158,316,283
Finance cost not yet due	(5,267,634)	(16,939,734)	(9,753,603)	(31,960,971)
	9,379,366	37,787,969	79,187,977	126,355,312

16 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties include the parent, entities with joint control of, or significant influence over the Fund, subsidiaries, associates, joint ventures in which the Fund is a joint venturer, key management personnel of the Fund or its parent and other related parties. Related parties of the Fund represent the Fund Manager, directors, the related funds custodian, sharia committee (other related parties), key management personnel of the Fund and business entities in which certain Fund manager or senior management have an interest. All the related party transactions are approved by the Fund's Board.

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

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16. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Name and nature of related parties	Nature of transactions with the related parties	For the six-month period ended 30 June		Balances	
		2025 (Unaudited)	2024 (Unaudited)	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Musharaka Capital Company - Fund Manager	Investment (disposed) / made in term deposits	(20,666,445)	38,503,728	31,829,119	52,764,391
	Finance income on term deposits	(955,868)	(252,950)	113,617	379,168
	Management fees	7,233,115	7,500,962	7,776,898	8,390,354
Board of Directors - Fund Board	Board of Directors remunerations	20,000	20,000	-	-
Sharia Committee - Sharia auditor	Sharia Committee remunerations	16,500	16,410	-	-
Alinma Investment Company - Custodian	Custody fee	50,000	49,727	391,667	341,667

The Fund Manager's investment in the Fund as at 30 June 2025 is 5.01 million units (31 December 2024 is 4.80 million units). The Fund has opened bank accounts in the name of the Fund manager, however the Fund exercises full control over the use of these bank balances, and it is maintained exclusively for the operations of the Fund. (note 13.2)

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% (2024: 0.95%) of the total assets after deducting accrued fees and expense	Semi-annually
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	Semi-annually
Custody fees	Saudi Riyals 100,000 per annum	Annually

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17 BASIC AND DILUTED LOSS PER UNIT

Basic and diluted loss per unit for the six month period ended 30 June 2025 and 2024 is calculated by dividing the loss for the period amounting to SR 12.76 and SR 14.56 million respectively with the weighted average number of units (i.e. 88,000,000 units) as at 30 June 2025 and 2024. There is no dilution effect on loss per unit of current or prior period as the Fund has no such commitments.

18 DIVIDENDS

During the six-month period ended 30 June 2025, the Fund Board approved and paid dividend of SR 0.14 per unit amounting to SR 12.32 million (for the six-month period ended 30 June 2024: SR 0.1 per unit amounting to SR 8.8 million).

19 SUBSEQUENT EVENT

Except for subsequent events mentioned elsewhere in these condensed interim financial statements, there were no other significant subsequent event occurred between 30 June 2025 and the date of approval of these condensed interim financial statements, which may have material impact on these condensed interim financial statements.

20 APPROVAL OF THE CONDENSED INTERIM FINANCIAL INFORMATION

These condensed interim financial statements was approved and authorized to issue by the Fund's Board of Directors on 7 August 2025G (corresponding to 13 Safar 1447H).