



**MULKIA
INVESTMENT**



**MULKIA
Gulf Real Estate REIT**

Mulkiya Gulf Real Estate REIT Fund

Annual report for the year 2019

Fund reports are available upon request free of charges



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- This report contains some general information. The information primarily include basic information about the economy and the market in general has been prepared based on data from sources considered reliable by the Company . This document is not intended to take into account any investment suitability needs of the recipient. In particular, this report is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive it.
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Mulkia – Gulf Real Estate REIT

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Management statement...

The Global economy 2019

As per the International Monetary Fund (IMF), The global economy grew by an estimated 2.9 percent in 2019 as compared to 3.6 percent in 2018. Trade policy uncertainty, geopolitical tensions and stress in key emerging market economies weighed on the global economic activity, especially manufacturing and trade sectors - in the second half of 2019.

The Saudi economy in 2019

The Saudi economy recorded an annual growth rate of 0.3 percent in 2019 compared to 2.4 percent in 2018. The slowed growth in 2019 was majorly due to slowed growth in Oil & Gas sector as well as Utilities sector. Overall, the oil sector activity declined by 3.6 percent in 2019. On the other hand, non-oil sector seen a growth of 3.3 percent in 2019, mainly driven by growth in private sector (3.8 percent).

Real Estate Sector

In the real estate sector, continued its relative decline during the fourth quarter of 2019, as office rents witnessed a further decline despite the vacancy rates witnessed an annual improvement to reach 6% compared to 2018.

The residential sector, sales and rent prices continued to decline during the fourth quarter of 2019, even though this quarter witnessed a slowdown in the rate of decline.

As for the retail sector, it recorded a fluctuating performance, as rental rates stabilized in the major regional high-quality malls that provide entertainment options, while rents declined in regional and local centers.

The hotel sector in Riyadh recorded its highest occupancy rate for 12 years in the month of November due to the organization of many events. However, the average daily prices decreased by 5% to record \$ 162 in the period from the beginning of 2019 to the month of November compared to the same period in 2018. While in some other regions it kept a stable occupancy rates although the expected increase in the rooms number will cause more pressure on the daily rates average.

In the REIT sector, the REIT market in Saudi Arabia continued to expand, with a total market value of over US \$ 3.9 billion compared to \$ 3.2 billion in 2018.





Management statement...

Fund Overview & Objectives:

Mulkia Gulf Real Estate REIT is a Sharia compliant closed public traded listed real estate investment fund, established according to the laws and regulations in the Kingdom of Saudi Arabia & regulated by Capital Market Authority, the fund was listed on 5/11/2017, with a capital of 600,000,000 Saudi riyals, and a unit nominal value of 10 Saudi riyals, with a total number of units equal 60,000,000 units. The Fund aims to acquire real estate properties that are constructed & developed, capable of achieving periodic income, the fund should distribute at least 90% of the fund net profit during the fund life and at a minimum of once a year within 90 days of the end of the fiscal year ending 31 December.

Fundamental events in 2019:

- Signing an acquisition agreement to acquire Elite Mall with an amount of 201,500,000 Saudi Riyals through cash and in-kind acquisition.
- Signing an additional financing facility agreement with a limit of 300,000,000 Saudi Riyals.
- Acquiring of First Room Hotel Building with an amount of 50,000,000 Saudi Riyals and a yield of 10%.
- Dividend distributing of 40,800,000 Saudi Riyals to Unitholders with a return rate 6.8% of the initial offering price.

The Fund net operating profit for the year 2019 was 28,252,985 Saudi riyals. The net asset value as per fair value was 594,347,185 Saudi riyals.

Data Resources:

- International Monetary Fund (IMF).
- JLL Real Estate Market "Harvest of 2019".
- Fund T & C and audited financial statements.





Fund Summary & Third parties

Fund Manager Mulkia investment Company

Type of Fund Closed Public Fund

Fund Period 99 Years

Fund Capital 600 MN

Fund Launching 05/11/2017

Fund Auditor
Allied Accountants



Custodian



Shariah Committee

Shariah Review
Bureau



Valuators

• Estnad for real-
estate valuation



• Valie Real
Estate Valuation



Fund Objectives:

The Fund aims to acquire real estate properties that are constructed & developed, capable of achieving periodic income, the fund should distribute at least 90% of the fund net profit during the fund life and at a minimum of once a year within 90 days of the end of the fiscal year ending 31 December as per the following strategy:

- Investment of 75% of the total value of the Fund's assets based on the latest audited financial statements in a constructed & developed properties and are subject to periodic and rental income.
- Investing 25% or less of the total value of the Fund's assets according to an audited financial statement in a real estate development. The development can be through the development of the properties owned by the Fund in order to raise rental yields and achieve capital returns at partial sale or through investment in real estate development in non-owned properties to the Fund.
- The Fund aims to invest at the beginning of its launch in real estate in the commercial, industrial and residential sectors, and can invest in subsequent periods in other sectors that achieve regular returns exceeding the average yield of the Fund for the last 12 months.
- All Fund investments is shariah compliant.
- All Fund investment will be inside Kingdom of Saudi Arabia.
- The Fund may invest in real estate investment funds that comply with Shariah principles, not exceeding 10% of the total value of the Fund's assets according to the latest audited financial statements.



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Investment activities - Fund Properties and performance



Investment Activities - Fund Properties

SL	Property	Type	Location	Acquisition Value (S.R.)	Contract period	Land Area SQM	Building Area SQM	Annual Rent	Weight in Fund	Acquisition % of total value
1	West Avenue	Commercial	Dammam, Faisalia	309,000,000	18	57,000	56,000	24,720,000	39%	100%
2	Teqnia complex	Industrial/Commercial	Riyadh, Faisalia	121,500,000	2	45,749	36,554	8,419,500	16%	100%
3	Dinar Building	Commercial/offices	Jeddah, Alzahraa	124,470,490	5	4,761	14,900	9,957,640	16%	100%
4	Vivienda villas	Hospitality/hoteling	Riyadh, Alhada	125,000,000	19	10,000	7,200	10,937,500	16%	100%
5	Alysamin Building	Residential	Riyadh, Alyasmin	18,677,220	vacant	2,309	5,303	Vacant	2%	100%
6	Burger King restaurant	Restaurant	Khamees Mushiati	13,058,889	16	1,500	567	1,150,000	2%	100%
7	Burger King Restaurant	Restaurant	Jeddah, Alsheraa	15,562,500	NA *	1,995	864	1,250,000	2%	100%
8	Burger King Restaurant	Restaurant	Jeddah Obhur	7,338,235	16	552	180	610,000	1%	100%
9	First Room Building **	Hospitality/hoteling	Riyadh/ Namuzaiyah	50,000,000	10	3,062	11,467	5,000,000	6%	100%

* Contract signed but not yet started

Number of tenants 9

(**) Rent Started in 1/1/2020

100%

Note: All properties title deeds are mortgaged against the financial facilities as per the signed financing facility agreement.





Investment Activities – Fund Properties & Performance...

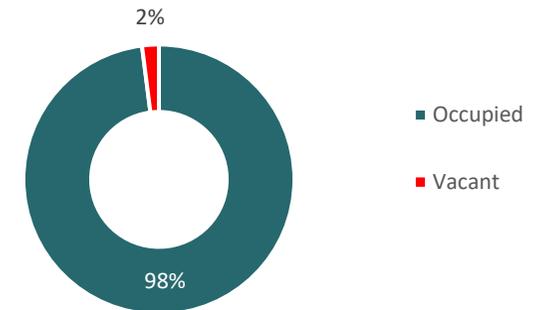
Target Assets

- The Fund aims to acquire real estate properties that are constructed & developed, capable of achieving periodic income

Assets and Return information

Item /Year	2017	2018	2019
Net asset Value (NAV) S.R.	594,678,878	592,346,268	594,347,185
Number of Issued Units	60,000,000	60,000,000	60,000,000
Net Asset value per unit S.R.	9.91	9,87	9.90
Highest NAV per unit	10,06	9.96	9.94
Lowest NAV per unit	9,91	9.77	9.70
Total Revenues	8,103,285	55,993,729	59,304,393
Total Revenues to total assets value %	1.33%	7.31%	6.63%
Expenses to total assets value %	0.39%	5.10%	3.40%
Unit distributions S.R.	0,105	0,680	0,680

Percentage of Leased & Vacant properties/ total assets

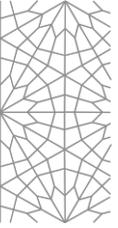


Unit Price Since inception



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Fund's Main Properties



Fund's Main Properties...

West Avenue Mall



Vivienda Villas



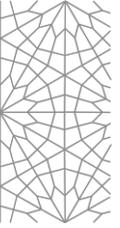
Fund's Main Properties...

Dinar Building



Teqnia Complex

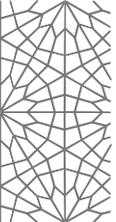




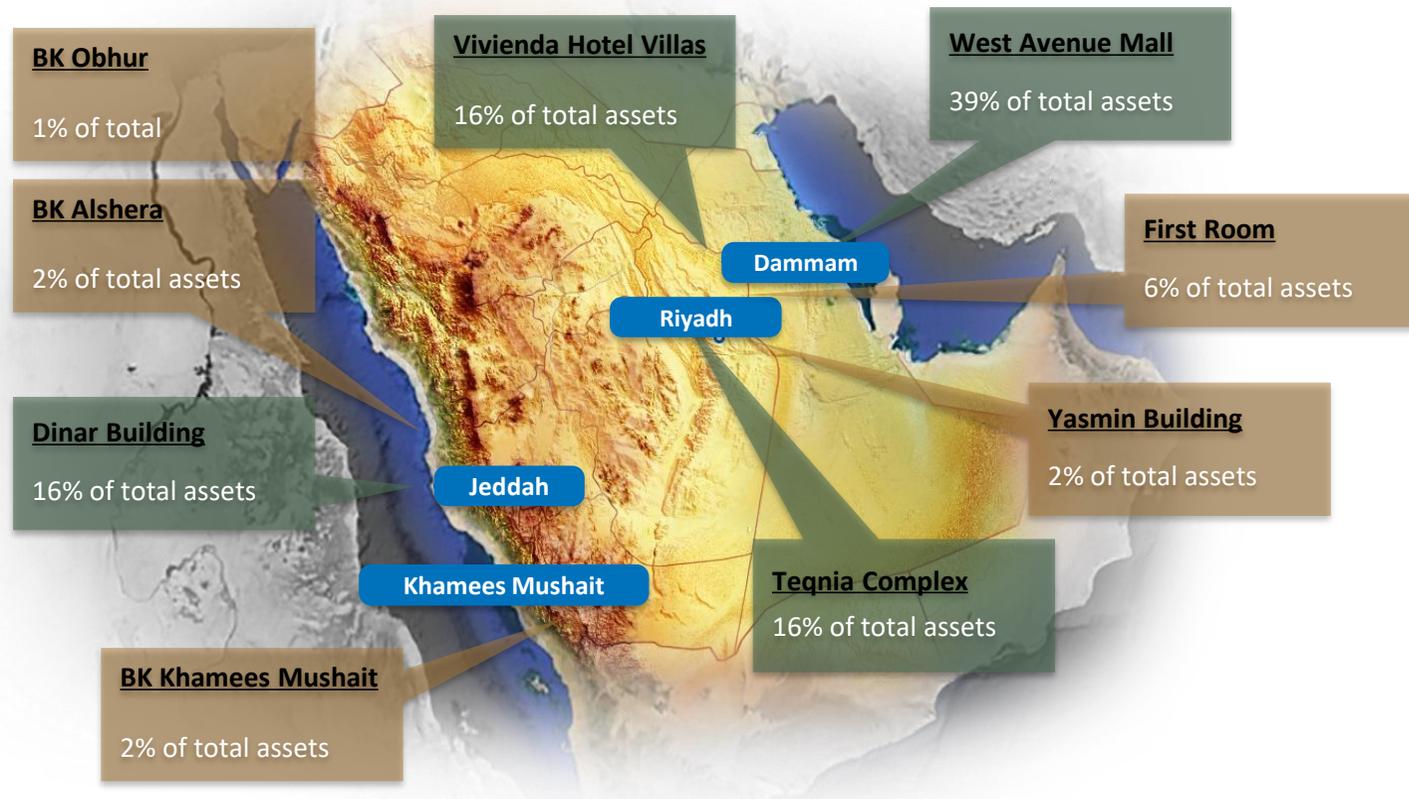
Fund's Main Properties...

First Room





Assets Geographic Distribution...



Assets Geographic distributions

Eastern Region	39%
Middle Region	40%
Western Region	19%
Southern Region	2%



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Fundamental
changes



Fundamental Changes...

- ✓ The Fund Manager has amended the terms and conditions of the fund in 19/08/1441 AH Corresponding to 24/04/2019 to comply with the latest updated Investments Funds Regulations, as well as explaining and clarifying the percentage of the annual costs in the Fess clause “Fees and chagres services charges, commissions and management fees” and adding two board members to the board of directors of the Fund, Engr. Faisal Ali Alsayegh & Mr. Abdulrahman Sulaiman Alamir as independent board members.
- ✓ The Fund Manager has acquired The First Room hotel building with an amount of 50,000,000 Saudi riyals, not including neither the commission “S.R 1,250,000” nor the VAT, the building is leased for ten-years against a rental value of 5,000,000 Saudi riyals, "a return of 10%".



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Financial Disclosure Summary



Services fees and other commissions...

Description	Value	% from total fees
Management fees	7,955,641	25.9%
Custody fees	291,723	0.9%
Audit fees	30,000	0.1%
BOD remuneration	30,000	0.1%
Shariah Committee remuneration	33,000	0.1%
Supervision fees	7,500	0.02%
Tadawul fees	140,185	0.5%
Edaa Fees	413,000	1.3%
Valuators fees	273,450	0.9%
Insurance fees	214,225	0.7%
Loan fees (interest)	11,694,055	38%
Asset renovation and maintenance	0	0
Acquisition commission fees	500,000	1.6%
Loan structuring fees	325,800	1.1%
Depreciation and impairment in real estate investments	8,357,293	27.2%
Provision of doubtful debts	381,938	1.2%
Other expenses	110,385	0.4%
Total Expenses	30,758,194	100%



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Fund Board Report



Board of Directors report...

■ Main Topics discussed:

- ✓ Reviewing fund performance & assets.
- ✓ Approving the interim Financial statement ends in 30/06/2019.
- ✓ Approving all contracts signed by the fund manager such as the external auditor and the real estate valuation.
- ✓ Capital increase process and signing an acquisition agreement to acquire Elite Mall.
- ✓ Reviewing the risk assessment report.
- ✓ Real estate properties latest updates.
- ✓ The Engineering offices offers to check fund properties before acquisition.
- ✓ Fund Terms & conditions amendments.
- ✓ Dividend distributions policy.
- ✓ Zakat registration of the fund.
- ✓ Violation obtained due to delay in announcing a fundamental change.
- ✓ Compliance & AML report.
- ✓ Fund Manager's recommendations.

■ Board resolution over the year

- ✓ Acquisition of The First room Hotel building.
- ✓ Resolution No. (1) 2019 dated 21/11/2019 to increase the fund capital through acquiring Elite mall.



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Risk Assessment report





Risk Assessment report

The fund managers analyzes the risks stated in the fund terms & conditions on quarterly basis, and observes the probable occurrence of risks throughout preparing a track record for risks assessment, by following many standards such as:

- Risk allocation.
- Risk impact.
- Risk impact levels.
- Occurrence probability.
- Methodology / strategy to reduce and minimize risks.
- Risk assessment methodology.

As per the impact level and occurrence probability as shown in the blow table:

		Impact (Severity)				
		Extremely Low	Low	Moderate	High	Extremely High
Probability (Likelihood)	Almost certain > 70%	Medium	Medium	High	High	High
	Likely 40%-70%	Low	Medium	High	High	High
	Possible 20%-40%	Low	Medium	Medium	High	High
	Unlikely 5%-20%	Low	Low	Medium	Medium	Medium
	Rare <5%	Low	Low	Low	Low	Medium





Risk Assessment report

Probable risks “ as stated in the Fund terms & conditions”

1.	No previous operational history	17.	No revenue
2.	Public & Real Estate Investments	18.	Inability of investors to value the property
3.	Delay in selecting the proper properties & acquisition	19.	Property geographic concentration & allocation
4.	Rarity of high quality properties offered	20.	Staff loss
5.	Economic & legal changes impact	21.	Failure of tenants to meet their obligations
6.	Vacancies for long periods	22.	No guarantees in property selling process
7.	Property maintenance & main changes	23.	Lack of liquidity of real estate investments
8.	Selling the property with a capital loss	24.	Inflation of operational cost
9.	Property insurance coverage	25.	The restrictive contractual conditions
10.	Delay in construction & development	26.	The purchasing competition
11.	Offered properties competition	27.	Costs of compliance with government laws and regulations
12.	Financing risks	28.	High interest rates on financing
13.	Acquisition of public shares in a real estate property	29.	Investment in other funds
14.	Idle lands taxes	30.	Sharia committee standards
15.	Conflict of interest	31.	Investments in Murabaha
16.	Reliance on credit rating	32.	Dividend distribution from non-operational activities



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Other information

Other information

- In 18/08/2019, the Fund Manager announced signing of an agreement to acquire Elite Mall in Riyadh in the amount of 201,500,000 SAR, which should be paid as 60% in cash through the Fund available financing and the other 40% as in kind subscription through issuing units to the property owner, after obtaining approval The Capital Market Authority and unitholders to increase the total value of the fund and acquisition of Elite Mall.
- The Fund Manager reduced his investment in the fund's units from 2.5% to 1.50% in order to fulfill the Public share in the fund.
- In 19/11/2019, the Fund Manager announced that Mulkia Gulf Real Estate Fund has signed an additional Shariah compliant banking facility agreement with Bank Albilad, in the amount of SAR 300,000,000, for a period of five years.
- The investment fund is not investing in other investment funds.
- The Fund Manager has decided to distribute dividends during the year 2019 for the first, second, third and fourth quarter, with a total amount of 40,800,000 SAR, and the ratio of the distribution per unit to the initial offering price of the unit is 6.8%.
- The percentage of management fees calculated on the fund is 1% per annum of the total assets value after deduction of all expenses - calculated and paid every six months.
- The fund manager does not intend to make any deductions or fees for expenses or fees.
- The Fund Manager obtained a violation due to the delay in announcing a fundamental event in announcing the Elite Mall acquisition Agreement.
- The Fund Manager received acquisition fees of SAR 500,000 against the acquisition of the First room hotel building.
- The Fund Managers received financing structure fees of SAR 325,800.



Financial Statements

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Financial Statements

The financial statements has be prepared as per the International Financial Reporting Standards (IFRS).

Attached is the audited financials until 31 December 2019





RSM

RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

**MULKIA GULF REAL ESTATE REIT FUND
CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
AND INDEPENDENT AUDITOR'S REPORT**

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

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Statement of profit or loss and other comprehensive income	4
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Statement of cash flows	6
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INDEPENDENT AUDITOR’S REPORT

To the Unitholders of Mulkia Gulf Real Estate REIT Fund

(Closed public traded listed real estate investment fund)

Opinion

We have audited the financial statements of Mulkia Gulf Real Estate REIT Fund (“the Fund”), managed by Mulkia investment company (“Fund Manager”), which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and the notes accompanying to the financial statements and summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mulkia Gulf Real Estate REIT Fund as of 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia. Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed Kingdom of Saudi Arabia that are relevant to our audit of the fund’s financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key Audit Matters (KAM) are defined as “Those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is an explanation of each key audit matters how to address it:

Key Audit Matter	How we addressed the matter during our audit
<p>Investment properties The net book value of investment properties in the Fund amounted to SAR 770 million as of 31 December 2019. Investment properties are measured at cost, less accumulated depreciation and any impairment losses (if any). The fair value of investment properties is determined for the purposes of disclosing the fair value with its impact on net assets value per unit and to recognize impairment (if any). Valuations are performed, semi-annually, by two independent valuers, licensed by the Saudi Authority for Accredited Valuers. This matter was considered as a key audit matter, as the valuation requires a material judgment regarding the appropriateness of the methodology applied. Inaccurate inputs to this judgment may lead to material misrepresentations in the disclosures of the financial statements.</p>	<p>We have performed the following procedures regarding investment properties:</p> <ul style="list-style-type: none"> • We evaluated the competency and eligibility of the external valuers who performed the valuation and their independence from the Fund. • We evaluated accuracy of the inputs used by the independent valuers. • We verified the final valuation reports and matched the average fair value reported by the valuers with the financial records of the Fund. • We evaluated the appropriateness of disclosures related to the investment properties of the Fund in Note (8) to the financial statements.

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants and Real Estate Investment Funds Regulations, the terms and conditions of the Fund, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e. board of directors of the Fund, are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the fund manager.
- Conclude on the appropriateness of fund manager's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

Allied Accountants
Dr Abdelgadir Bannaga & Partners Co.



Mohammed Al Nader
License No. 435
Riyadh, Saudi Arabia
6 Shaaban 1441 H (March 30, 2020)



MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

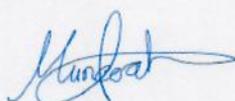
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	<u>Note</u>	<u>31 December 2019 SAR</u>	<u>31 December 2018 SAR</u>
Assets			
Cash and cash equivalent	7	69,685,530	26,010,030
Investment properties, net	8	770,003,303	714,122,755
Account receivable from Lease, net	9	24,690,235	13,712,136
Accrued revenue		5,042,226	2,614,858
Prepaid expenses and other debit balances		2,631,045	1,134,689
Total assets		872,052,339	757,594,468
Liabilities			
Long-term loan	10	258,038,666	149,038,515
Revenue received in advance	11	18,309,483	12,859,481
Due to a related party	12	14,561,171	5,322,910
Fees payable		77,783	152,283
Accrued expenses and other credit balances	13	7,187,054	4,089,296
Total liabilities		298,174,157	171,462,485
Equity attributable to unitholders			
Net assets attributable to unitholders		573,878,182	586,131,983
Units in issue (numbers)		60,000,000	60,000,000
Net carrying value of assets - per unit		9.56	9.77
Net fair value of assets - per unit	14	9.90	9.87

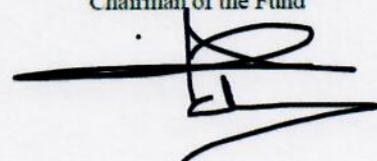
Mohamed Abdullatif Nawas
Operations Manager



Muneera Hijab AlDossary
CEO - Fund Manager



Sultan Mohammed Alhudaithi
Chairman of the Fund



The accompanying notes (1) to (22) form an integral part of these financial statements

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

		For the year ended 31 December 2019	For the year ended 31 December 2018
	Note	SAR	SAR
Revenues			
Leases revenue of investment properties		58,104,051	55,950,060
Other revenue	15	907,128	43,669
Total revenues		59,011,179	55,993,729
Expenses			
Fund management fees	12	(7,955,641)	(7,094,555)
Custodial fees		(291,723)	(278,794)
Provision for expected credit loss	9	(381,938)	-
Depreciation of investment properties	8	(8,357,293)	(7,541,897)
Finance charges	10	(11,694,055)	(6,078,524)
Acquisition fees	12	(500,000)	(950,000)
Finance structure fees	12	(325,800)	(453,000)
Other administrative expenses	16	(1,251,744)	(1,108,343)
Total expenses		(30,758,194)	(23,505,113)
Net profit from operations		28,252,985	32,488,616
Reverse/ (impairment) of impairment of investment properties	8	293,214	(15,215,004)
Net profit for the year		28,546,199	17,273,612
Other comprehensive income items		-	-
Total comprehensive income for the year		28,546,199	17,273,612

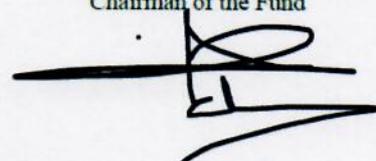
Mohamed Abdullatif Nawas
Operations Manager



Muneera Hijab AlDossary
CEO - Fund Manager



Sultan Mohammed Alhudaithi
Chairman of the Fund



The accompanying notes (1) to (22) form an integral part of these financial statements

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2019

	For the year ended 31 December 2019	For the year ended 31 December 2018
	SAR	SAR
Net assets value, beginning of the year	586,131,983	605,758,371
Net profit for the year	28,546,199	17,273,612
Dividends during the year	(40,800,000)	(36,900,000)
Net assets, end of the year	573,878,182	586,131,983

Unit transactions

Below is a summary of unit transactions for the year:

	For the year ended 31 December 2019	For the year ended 31 December 2018
	Units	Units
Units at beginning of the year	60,000,000	60,000,000
Units at year-end	60,000,000	60,000,000

Mohamed Abdullatif Nawas
Operations Manager



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MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

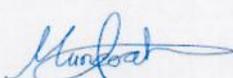
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	For the year ended 31 December 2019	For the year ended 31 December 2018
	SAR	SAR
Cash flows from operating activities		
Net profit for the year	28,546,199	17,273,612
Adjustments to reconcile net profit for the year with net cash available from operating activities		
Depreciation of investment properties	8,357,293	7,541,897
Finance charges	11,694,055	6,078,524
Made of provision for expected credit loss	381,938	-
(Reverse)/ impairment of investment properties	(293,214)	15,215,004
Murabaha deposits revenue	(878,742)	-
	<u>47,807,529</u>	<u>46,109,037</u>
The changes in operating assets and liabilities:		
Account receivable from Lease	(16,716,429)	(12,097,921)
Accrued revenue	(2,427,368)	(2,392,247)
Prepaid expenses and other debit balances	(1,471,756)	(1,079,801)
Revenue received in advance	5,450,002	1,632,189
Due to a related party	9,238,261	4,392,781
Fees payable	(74,500)	108,147
Accrued expenses and other credit balances	(3,422,527)	(145,875)
Finance charges repaid	(4,773,619)	(2,069,028)
Net cash available from operating activities	<u>33,609,593</u>	<u>34,457,282</u>
Cash flows from investing activities		
Investment properties	(58,588,235)	(138,746,389)
Earned Murabaha deposits revenue	854,142	-
Net cash used in investing activities	<u>(57,734,093)</u>	<u>(138,746,389)</u>
Cash flows from financing activities		
Long-term loan	108,600,000	151,000,000
Cash dividends	(40,800,000)	(36,900,000)
Repayment of deferred financing cost	-	(2,100,000)
Net cash available from financing activities	<u>67,800,000</u>	<u>112,000,000</u>
Net increase in cash and cash equivalent	<u>43,675,500</u>	<u>7,710,893</u>
Cash and cash equivalent at the beginning of the year	<u>26,010,030</u>	<u>18,299,137</u>
Cash and cash equivalent at end of the year	<u>69,685,530</u>	<u>26,010,030</u>
Non-cash transactions		
Additions to investment properties against lease receivables	<u>5,356,392</u>	<u>-</u>

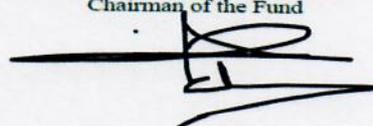
Mohamed Abdullatif Nawas
Operations Manager



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The accompanying notes (1) to (22) form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1- THE FUND AND ITS ACTIVITIES

Mulkia Gulf Real Estate REIT Fund (“the Fund”) is a Sharia compliant closed public traded listed real estate investment fund. The main objective of the Fund is to acquire pre developed real estate properties in order to obtain regular and frequent rental income, or under construction no more than 25% of the total value of the fund’s assets, and distribute a minimum of 90% of the Fund’s net income to unitholders during the lifetime of the Fund at least once annually within 90 days after financial year end which ends on December 31.

The Fund started its operations on 16 Safar 1439 H (corresponding to 5 November 2017).

The Fund is managed by Mulkia Investment Company. The books and records of the Fund are maintained in Saudi riyals.

The address of the Fund Manager is:

Mulkia Investment Company, Prince Muhammad Bin Abdulaziz Road - Al-Olaya area, P.O. Box 52775 - Riyadh 11573, Kingdom of Saudi Arabia.

2- REGULATING AUTHORITY

The Fund is governed by Real estate Investment Funds Regulations (the “Regulations”), Real Estate Investment Traded Funds Instructions, published by the Capital Market Authority on 19 Jumada Ii 1427H (corresponding to 15 July 2006) and 23 Muharram 1438H (corresponding to 24 October 2016) respectively, which stipulates Regulations and instructions apply to all real estate investment funds operating in the Kingdom of Saudi Arabia.

3- ACCOUNTING STANDARDS APPLIED AND BASIS OF MEASUREMENT

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

Based on the circular of the he Capital Market Authority (CMA) dated 16 October 2016, all Funds must apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date.

On 31 December 2019, the CMA reviewed the appropriateness to continuing using the cost model, permitting the use of a fair value model or a revaluation option and resolved the following:

- All listed companies are obliged to apply the cost model to measure the properties (IFRS 16) and investment property (IAS 40) in the financial statements prepared for the fiscal periods during the fiscal years starting before 2022.
- Allowing listed companies to choose the Fair Value Model for investment property after initial measurement or the Revaluation Model to measure property (IAS 16) after initial recognition in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022.

4- CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except for what has been mentioned below, the accounting policies applied to these financial statements are the same as those applied to the financial statements for the previous year ended 31 December 2018.

IFRS (16) "Leases"

The Fund has adopted IFRS (16) with the cumulative effect of initially recognizing the standard. The Fund will select to apply the standard on contracts that were previously identified as leases by IAS (17) and IFRIC (4). The Fund will select to apply the proposed exemptions on lease contracts in which the lease term expires within 12 months from the date of the initial application, and low value asset leases. The Fund performed an evaluation of IFRS (16) impact and a comparison with IAS (17) and IFRIC (4), and concluded that the impact is not material in the financial statements of the Fund as a whole as the Fund is a lessor, it does not have any lease contract and therefore there was no financial impact on the financial statements as a result of application of IFRS (16) “Leases”.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

5- STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Fund has not early adopted them in preparing these Financial Statements.

Amendments to IFRS 3 – definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Amendments to IAS 1 and IAS 8 on the definition of material

These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:

- 1- Use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting;
- 2- Clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of Profit or Loss.

6- SIGNIFICANT ACCOUNTING POLICIES

Below are significant accounting policies applied:

Accounting convention

The financial statements are prepared under accrual basis of accounting, going concern basis.

Use of estimates

The preparation of the financial statements in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia requires from the Fund Manager the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses.

These estimates and judgments are based on management’s best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which can not be easily determined from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

Cash and cash equivalent

Cash and cash equivalent comprise cash on hand and bank balances, term deposits and highly-liquid investments with original maturity of three-months or less from the acquisition date.

Properties under development

Properties acquired, built or under construction and development are classified as properties under development. Cost of properties under development includes the cost of land and other development costs. The property will be considered ready upon completion and delivery of all activities related to the property, including infrastructure and facilities of whole project. The Fund Manager reviews the carrying amounts of properties under development at the date of each statement of financial position. Impairment losses, if any, are recognized if the carrying amount of the asset exceeded its net realizable value.

Investment properties

Investment properties are recognized at cost. investment properties represent buildings and lands utilized by leasing, less accumulated depreciation and any impairment losses, if any. Lands are not depreciated. Buildings are depreciated on straight-line basis over their useful lives which are as follows:

<u>Description</u>	<u>Years</u>
Buildings	40 years

The fair value of investment properties is disclosed in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial assets and financial liabilities are recognized when a Fund becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in statement of profit or loss.

First: Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'financial assets 'at fair value through other comprehensive income, and financial assets at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as held for trading, or it is designated at FVTPL by the Fund.

A financial asset is classified as held for trading if:

- it has been acquired principally for selling it in the near term.
- On initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in statement of profit or loss.

Dividends or interest earned on the financial asset are recognized in statement of profit or loss.

B) Financial assets acquired at amortized cost

Receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in statement of profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The Fund applies the simplified approach in the IFRS 9 to measure expected credit losses and makes provision for life-time expected credit losses.

Second: Financial liabilities

Financial liabilities (including borrowings and trade payables) are initially and subsequently measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in statement of profit or loss.

- Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment in the value of assets

Impairment losses in the value of tangible assets, if any, are recognized in the statement of profit or loss if the carrying amount of the asset exceeded the When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or service received, whether billed or not by suppliers.

Zakat and Income tax

Zakat and income tax are obligation of the Unitholders and is not provided for in these accompanying financial statements.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that the Fund will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Net Assets Value

Net assets value per unit, as disclosed in statement of net assets is calculated by dividing the net assets of the Fund by the numbers of units in issue as at the year end.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The Fund shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Revenue Recognition

Revenue from sales of investments properties is recognized when significant risks and rewards of ownership are transferred to the buyer under a legal title deed or by a binding legal declaration, when the amount of revenue can be collected and measured reliably.

Rental income from operating leases of investment properties is recognized on a straight-line basis over the term of the relevant lease or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Other revenue is recognized when realized.

Foreign Currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the combined statement of financial position date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses

Expenses are recognized on the accrual basis and the Fund Manager fees are charged at an agreed rate with the Fund Manager. These expenses are calculated on a biannual basis and these expenses are charged to the statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Otherwise, these costs are charged to the statement of profit or loss.

7-CASH AND CASH EQUIVALENT

	31 December 2019	31 December 2018
	SAR	SAR
Bank Balances	60,685,530	26,010,030
Murabaha deposits	9,000,000	-
	69,685,530	26,010,030

8-INVESTMENT PROPERTIES, NET

The following are the components of investments properties at historical cost:

	Building on lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
Cost				
As at 1 January 2019	391,928,701	330,319,660	15,562,500	737,810,861
Additions during the year	15,614,905	48,329,722	-	63,944,627
As at 31 December 2019	407,543,606	378,649,382	15,562,500	801,755,488
Accumulated depreciation				
As at 1 January 2019	-	8,473,102	-	8,473,102
Charged to the year	-	8,357,293	-	8,357,293
As at 31 December 2019	-	16,830,395	-	16,830,395
Impairment of investment properties as of 31 December 2019	(10,385,189)	(3,957,328)	(579,273)	(14,921,790)
Net carrying amount				
As at 31 December 2019	397,158,417	357,861,659	14,983,227	770,003,303
	Building on lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
Cost				
As at 1 January 2018	369,735,437	229,329,035	-	599,064,472
Additions during the year	22,193,264	100,990,625	15,562,500	138,746,389
As at 31 December 2018	391,928,701	330,319,660	15,562,500	737,810,861
Accumulated depreciation				
As at 1 January 2018	-	931,205	-	931,205
Charged to the year	-	7,541,897	-	7,541,897
As at 31 December 2018	-	8,473,102	-	8,473,102
Impairment of impairment of investment properties	(9,208,317)	(5,013,687)	(993,000)	(15,215,004)
Net carrying amount				
As at 31 December 2018	382,720,384	316,832,871	14,569,500	714,122,755

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

8 - INVESTMENT PROPERTIES, NET (CONTINUED)

Investment properties are recorded at historical cost. The fair value of the investment properties has been determined based on the average of two valuations of market value made by independent valuation experts (Note 14). These values are based on estimates by independent valuers due to uncertainty of estimates.

Investment properties are as follows:

- Al-Yasmeen Building: It is a residential building in Al-Yasmeen district, north of Riyadh.
- Teqnia Industrial Commercial Complex: It is an industrial and commercial complex consisting of five auto maintenance centers, two auto showrooms and a spare parts center located in the southeast of Riyadh.
- Dinar Commercial Building: It is a commercial building in the Al-Zahra district, Jeddah.
- West Avenue Building: It is a commercial building in Al-Faisaliah district, Dammam.
- Vivienda Complex: It is hotel villas complex located in Prince Faisal bin Fahd bin Abdulaziz Road in, Al-Hada district, Riyadh.
- Obhur Building: It is a restaurant building in Obhur Al Shamaliyah district, Jeddah.
- Khamis Mushait Building: It is a restaurant in Khamis Mushait.
- The First Room Hotel Apartments building: It is a building licensed as a furnished "3-star" accommodation facility in A Namudhajiya District in Riyadh.
- Al-Sheraa district project: It is a commercial building project in Al-Sheraa district, Jeddah. It is included in under construction projects. Work is still ongoing to deliver public facilities to the property and complete necessary licenses.

During December 2019, the Fund evaluated the investment properties which resulted in reversal of impairment losses amounting to SAR 293,214 during the year ended 31 December 2019 (31 December 2018: impairment losses amounting to SAR 15,215,004).

The title deeds of the properties are registered in the name of Tamdeen Real Estate Company, a company established for the purpose of maintaining and recording the Fund's assets, according to CMA resolution No. 1/6/4902/17 dated 28 September 2017. All title deeds of properties invested by the Fund have been mortgaged in favor of Al Bilad Real Estate Company (a subsidiary of Bank Al Bilad) with a minimum coverage ratio of 175% of the total facilities as a guarantee of the financing granted to the Fund (Note 10).

9- ACCOUNT RECEIVABLE FROM LEASE, NET

	31 December 2019	31 December 2018
	SAR	SAR
Lease receivables		
Less:	25,072,173	13,712,136
Provision for expected credit loss	(381,938)	-
	<u>24,690,235</u>	<u>13,712,136</u>

The movement in the expected credit losses as of 31 December is as follows:

	31 December 2019	31 December 2018
	SAR	SAR
Balance, beginning of the year	-	-
Charged during year	381,938	-
Year-end balance	<u>381,938</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

10- LONG - TERM LOAN

In 2018, the Fund obtained a credit facility amounting to SAR 300,000,000 from Al Bilad Bank to finance the activities of the Fund. The facility is mortgaged against the title deeds properties invested by the Fund which are registered in the name of Al Bilad Real Estate Company (Note 8) with a minimum coverage ratio of 175% of the total facility. On 19 November 2019, the credit facility was increased to SAR 600,000,000. As of 31 December 2019, the utilized portion of the facility amounted to SAR 259,600,000 (31 December 2018: SAR 151,000,000). The facility must repaid in one payment after five years from the date of the first withdrawal. The Fund will be charged biannual finance charges.

The movement in financing facility is as follows:

	31 December 2019	31 December 2018
	SAR	SAR
Balance at the beginning of the year	151,000,000	-
Withdrawn during the year	108,600,000	151,000,000
	259,600,000	151,000,000
Less:		
Deferred financing cost	(1,561,334)	(1,961,485)
	258,038,666	149,038,515

11- REVENUE RECEIVED IN ADVANCE

Revenue received in advance represents investment properties lease revenue and does not belong to the year ended 31 December 2019 this revenue amounted to SAR 18,309,483 as at 31 December 2019 (31 December 2018: SAR 12,859,481).

12- RELATED-PARTY TRANSACTIONS

Related parties to the Fund comprise Unitholders, Fund Manager, members of board of directors and other funds managed by the Fund Manager. In the ordinary course of business, the Fund transacts with related parties. Transactions with related parties are subject to limitations set forth in the bylaws issued by the Capital Market Authority. All transactions with the related parties are approved by the Fund's Board of Directors, The Fund pays the fund manager a management fee of 1 % per annum calculated on the net assets of the fund calculated and paid half yearly for the purpose of calculating management fees is based on the fair value of investment in real estate properties. (Note 14)

A) Below are the significant transactions with the related party during the year:

<u>Related party</u>	<u>Nature of transaction</u>	Size of transaction	
		2019	2018
		SAR	SAR
Mulkia Investment	Management fees	7,955,641	7,094,555
	Acquisition fees	500,000	950,000
	Finance structure fees	325,800	453,000
	Expenses paid on behalf	26,537	77,474

B) Below are balances due to a related party as of 31 December:

<u>Related party</u>	<u>Nature of transaction</u>	31 December 2019	31 December 2018
		SAR	SAR
Mulkia Investment	Management fees	12,195,860	3,842,436
	Acquisition fees	1,450,000	950,000
	Finance structure fees	778,800	453,000
	Expenses paid on behalf	136,511	77,474
		14,561,171	5,322,910

As of 31 December 2019, Unitholders account include 900,000 units owned by the Fund Manager (31 December 2018: 1,500,000 units).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

13- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2019	31 December 2018
	SAR	SAR
Finance charges due	6,920,436	4,009,496
Accrued expenses	226,618	79,800
Others	40,000	-
	7,187,054	4,089,296

14- THE IMPACT ON NET ASSETS IF INVESTMENTS PROPERTIES MEASURED AT FAIR VALUE

According to article 22 of Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the Fund Manager is responsible for performing fair valuation to fund assets based on an evaluation prepared by two evaluators. As stated in the Fund's terms and conditions, the net assets value and management fees are calculated based on the market value obtained. According to IFRS endorsed in Saudi Arabia, investment properties are stated at the lower of cost or net realizable value in these financial statements.

The fair value of investment properties is determined based on evaluation performed by two evaluators: Valie and Partner for Real Estate Valuation and Evaluation (An independent valuer accredited by the Saudi Authority for Accredited Valuers), license No. 1210001114 and Estnad real estate Valuation office, license No. 1210000037 (An independent valuer accredited by the Saudi Authority for Accredited Valuers). As of 31 December 2019, the average valuation of investment properties amounted to SAR 790.47 million (31 December 2018: SAR 720.34 million).

- 1- Below is a statement of the unrealized gains from properties that were identified based on real estate valuation processes (fair value) as follows:

	31 December 2019	31 December 2018
	SAR	SAR
Fair value of investment properties	790,472,306	720,337,040
Net carrying amount of investment properties (note 8)	(770,003,303)	(714,122,755)
Unrealized gains based on real estate valuation	20,469,003	6,214,285
Units in issue	60,000,000	60,000,000
Unit share in unrealized gains based on real estate valuation	0.34	0.10

- 2- Below is analysis of net assets using fair value of properties:

	31 December 2019	31 December 2018
	SAR	SAR
Net assets value at cost presented in these financial statements	573,878,182	586,131,983
Unrealized gains based on real estate valuation (Note 14-1)	20,469,003	6,214,285
Net assets at fair value	594,347,185	592,346,268

- 3- Below is statement of net assets per units using fair value of properties:

	31 December 2019	31 December 2018
	SAR	SAR
Net assets value per unit at cost presented in these financial statements	9.56	9.77
Impact on net assets value per unit as a result of unrealized gains determined based on real estate valuation (note 14-1)	0.34	0.10
Net assets value per unit at fair value	9.90	9.87

MULKIA GULF REAL ESTATE REIT FUND
(MANAGED BY MULKIA INVESTMENT COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

15- OTHER REVENUES

	31 December 2019	31 December 2018
	SAR	SAR
Murabaha deposits revenue	878,742	-
Current accounts revenue	28,386	13,669
Compensations	-	30,000
	907,128	43,669

16- OTHER ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018
	SAR	SAR
Eadaa fees	413,000	400,000
Investment properties valuation expenses	273,450	170,270
Insurance expenses	214,225	43,888
Tadawul fees	140,185	162,429
Other	210,884	331,756
	1,251,744	1,108,343

17- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Financial instruments consist of financial assets and financial liabilities.

The Fund follows the following hierarchy to determine the fair value of investment properties and to disclose them

Level 1: Quoted prices in active markets for identical property (without adjustment or addition).

Level 2: Quoted prices in an active market for similar assets and liabilities or other valuation techniques, which are all significant inputs based on observable market data:

Level 3: Valuation techniques where significant inputs are not based on observable market data.

The valuation of the fair value of investment properties is at level 3.

18- RISK MANAGEMENT

Credit risks

It is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Fund Manager seeks to reduce credit risk through periodic monitoring of any outstanding receivables. Cash is also deposited with a local bank with a high credit rating.

Commission rate risk

It is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates in the market. The Fund has no significant assets or liabilities that are subject to commissions as of 31 December 2019.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Fund Manager monitors the currency rate changes and believes that the impact of currency rate changes on the Fund is not significant as the Fund primarily deals in Saudi Riyal.

Liquidity risks

Liquidity risk difficulty the Fund may encounter in raising funds to meet commitments associated with financial instruments. Liquidity risk arises from the inability to sell a financial asset quickly at an amount approximate its fair value. The Fund Manager limits its liquidity risk by ensuring bank balances are available.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

19- LAST VALUATION DATE

The last evaluation day of the year was 31 December 2019 (31 December 2018: 31 December 2018).).

20- GENERAL

The figures in these accompanying financial statements are rounded to the nearest Saudi Riyal.

21- SUBSEQUENT EVENTS

Due to the spread of coronavirus (COVID-19) in the region and in the world which is considered a pandemic causing disruption in commercial and economic activities internationally and locally in the Kingdom, the Fund Manager believes these events occurred after the reporting period and after the issuance of the financial statements, therefore, do not require any amendments.

Further, the management of Fund is unable to determine the future impact of such events on the financial statements of the Fund and its results as they are linked to decisions of the government. It is not possible to determine the extent of this crisis, and government officials will continue to monitor the situation and provide stakeholders with developments as required by the laws and regulations.

Other than the above, in the opinion of the management, there were no other significant events subsequent to 31 December 2019 that are expected to have a significant impact on these financial statements as at 31 December 2019.

22- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the board of directors of the Fund on 6 Shaaban 1441 H (March 30, 2020).



Stay in touch

You can contact Mulkia any time and of course our employees will be happy and ready to answer your inquiries for a better service..

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