

MULKIA – GULF REAL ESTATE REIT FUND
Closed Public Traded Listed Real Estate Investment Fund
- Takes the form of a special purpose entity
(Managed By Mulkia Investment Company)
CONDENSED CONSOLIDATED INTERIM Financial Statements
And Independent Auditor's Review Report
For The Six-Month Period Ended 30 June 2023

MULKIA – GULF REAL ESTATE REIT FUND

Closed Public Traded Listed Real Estate Investment Fund- Takes the form of a special purpose entity (SPV)

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Interim Condensed Financial Statements And Independent Auditor's Review Report for The Six-Month Period Ended 30 June 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT
ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TO THE UNITHOLDERS OF MULKIA GULF REAL ESTATE FUND

INTRODUCTION

We have reviewed the accompanying condensed consolidated interim statement of financial position of MULKIA GULF REAL ESTATE FUND" (the "Fund"), managed by Mulkia Investment Company (the Fund Manager) as at 30 June 2023 and the related condensed consolidated interim statements of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "CONDENSED CONSOLIDATED INTERIM financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Riyadh: 27 Muharram 1445H
Corresponding to: 14 August 2023

MULKIA – GULF REAL ESTATE REIT FUND

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 June 2023

	Note	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
<u>ASSETS</u>			
Cash and cash equivalents	4	135,242,206	20,125,033
Lease receivables, net	6	35,278,066	34,333,108
Accrued revenue		9,310,335	12,166,001
Prepaid expenses and other receivables		2,902,732	4,968,000
Inventory		269,875	239,711
Assets from derivatives contracts		6,004,031	306,713
Investment properties, net	5	1,244,720,051	1,273,294,136
TOTAL ASSETS		1,433,727,296	1,345,432,702
<u>LIABILITIES</u>			
Accounts payable	11	2,461,188	122,774,108
Accrued expense and other payables	10	4,680,959	6,629,486
Unearned rental income	8	11,372,841	15,541,668
Due to related party	9	13,019,636	10,632,786
Zakat provision	12	830,482	1,041,539
Provision for end-of service benefits for hotel operating staff		744,774	415,656
Provision for renovation of hotel assets		201,689	188,150
Long –term loans	7	592,763,073	587,979,951
TOTAL LIABILITIES		626,074,642	745,203,344
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		807,652,654	600,229,358
Units in issue (numbers)		103,765,995	68,108,652
Book value of assets per unit		7.783	8.813
Fair value of assets per unit	13	8.345	9.608

**Mohamed Abdul Latif
Nawas**

Chief operating officer

**Omar bin Abdulkareem Al-
Othaim**

CEO

**Sultan bin Mohamed Al-
Hadithy**

Chairman

The accompanying notes (1) to (21) form an integral part of these condensed consolidated interim financial statements.

MULKIA – GULF REAL ESTATE REIT FUND

Closed Public Traded Listed Real Estate Investment Fund-Takes the form of a special purpose entity (SPV)

(Managed By Mulkia Investment Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	Note	30 June 2023 (Unaudited) SAR	30 June 2022 (Unaudited) SAR (Un-consolidated)
Revenues			
Rental income of investment properties, net		37,610,417	32,630,079
Revenue from hotel operation		16,417,431	-
Gain from investments in affiliates		-	2,720,267
Other income		790,538	-
Total Revenue		54,818,386	35,350,346
Expenses			
Impairment in Investment properties	5	(19,428,745)	(20,195,057)
Salaries and wages for hotel operating staff		(2,837,572)	
Hotel management fees		(1,700,378)	
operating expenses		(3,702,413)	-
consumption of real estate investments	5	(9,349,158)	(8,638,248)
Fund management fees	9	(6,356,935)	(5,906,187)
Custody fees		(164,570)	(142,843)
Provision for expected credit losses	6	(2,514,461)	-
financing burdens	14	(19,600,751)	(8,029,992)
Dealing fees		-	(2,131,065)
Financing structuring fees		-	(2,290,895)
Other administrative expenses		(6,933,095)	(891,706)
Total Expenses		(72,588,078)	(48,225,993)
Net loss for the period before zakat		(17,769,692)	(12,875,647)
Zakat expense	12	(218,801)	(182,985)
Net loss for the period		(17,988,493)	(13,058,632)
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss			
Gain on derivatives contracts		4,928,988	-
Total other comprehensive income for the period		4,928,988	-
Total loss and other comprehensive income		(13,059,505)	(13,058,632)

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN NET ASSETS
ATTRIBUTABLE TO THE UNITHOLDERS**

For the six month-period ended 30 June 2023

	Note	30 June 2023 (Unaudited) SAR	30 June 2022 (Unaudited) (Un-consolidated) SAR
Net asset at the beginning of the period		600,229,358	638,850,619
Net loss for the period		(17,988,493)	(13,058,632)
Gain on derivatives contracts		4,928,988	-
Net loss and other comprehensive income		(13,059,505)	(13,058,632)
Proceeds from issuance of units during the period		238,191,051	-
Dividends during the period	16	(17,708,250)	(21,113,682)
Net assets at the end of the period		807,652,654	604,678,305

Unit Transactions:

Below is a summary of the units' transactions for the year:

	30 June 2023 (Unaudited) Units	30 June 2022 (Unaudited) (Un-consolidated) Units
Units at beginning of the period	68,108,652	68,108,652
units Issuance during the period	35,657,343	-
Units at end of the period	103,765,995	68,108,652

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MULKIA – GULF REAL ESTATE REIT FUND**Closed Public Traded Listed Real Estate Investment Fund-Takes the form of a special purpose entity (SPV)****(Managed By Mulkia Investment Company)****CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS****For the six-month period ended 30 June 2023**

	Note	30 June 2023 (Unaudited) SAR	30 June 2022 (Unaudited) (Un-consolidated) SAR
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>			
Net loss for the period before zakat		(17,769,692)	(12,875,647)
Adjustment to reconcile net loss to net cash from operating activities:			
Investment properties depreciation		9,349,158	8,638,248
Finance charges		19,600,751	8,029,992
Provision for ECL		2,514,461	-
Impairment of Investment properties		19,428,745	20,195,057
Gains from derivative contracts		(768,330)	-
Provision for end-of service benefits for hotel operating staff		13,539	-
Provision for renovation of hotel assets		329,118	-
		32,697,750	23,987,650
Changes in operating assets and liabilities:			
Inventory		(30,164)	-
lease receivables		(3,459,419)	(8,660,880)
Accrued revenue		2,855,666	1,380,737
Prepaid expenses and other receivables		2,065,268	(520,345)
Unearned rental income		(4,168,827)	(1,342,077)
Due to related party		2,386,850	2,095,241
Accounts payable		(120,312,920)	121,893,507
Accrued expenses and other payables		(1,948,527)	343,766
Finance charges paid		(14,817,629)	(4,991,209)
Paid Zakat		(429,858)	(2,123,859)
Net cash (used in)/ generated from operating activities		(105,161,810)	132,062,531
<u>INVESTMENT ACTIVITIES</u>			
Additions of investment properties		(203,818)	(350,989,987)
Net cash used in investing activities		(203,818)	(350,989,987)
<u>FINANCING ACTIVITIES</u>			
Proceeds from loans -Long Term		-	234,790,079
proceeds from issuance of units		238,191,051	-
Dividends		(17,708,250)	(21,113,682)
Net cash generated from financing activities		220,482,801	213,676,397
Change in Cash and cash equivalents during the period		115,117,173	(5,251,059)
Cash and cash equivalents at beginning of the period		20,125,033	16,835,710
Cash and cash equivalents at end of the period		135,242,206	11,584,651

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

1. 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 objective of the Fund is to acquire pre-developed real estate properties to obtain regular and periodic 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 during the lifetime of the Fund at least once annually within 90 days after the financial year-end which ends on December 31. The Fund commences its operations on 16 Safar 1439 H (corresponding to 5 November 2017).

During 2020, additional units were issued in exchange for in-kind contributions, where the number of issued units amounted to 8,108,652 units, and the subscription price of the unit was 9.94 Saudi riyals, where the total proceeds from issuing the units amounted to 80,600,000 Saudi riyals.

During 2021, the fund's board of directors and Capital Market Authority ("CMA") issued approval for a non-basic change in the fund (the completion of the procedures for converting Mulkia - Gulf Real Estate REIT fund into Closed Traded Real Estate Investment Fund that takes the form of a special purpose entity).

During 2021, the Zakat, Tax and Customs ("ZATCA") Authority approved the voluntary registration of real estate investment traded funds. The authority stipulated the existence of a legal person (a special purpose entity) for investment funds wishing to register with it to submit their returns and pay zakat. The Capital Market Authority ("CMA") announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations so that fund managers wishing to obtain a special purpose facility license can apply to the Authority from the date these regulations come into force on May 1, 2021.

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 District, P.O. Box 52775 - Riyadh 11573, Kingdom of Saudi Arabia.

These CONDENSED CONSOLIDATED INTERIM financial statements include the information of the Gulf Reit Real Estate Parent Group and its subsidiary (Group) as of June 30, 2023.

Subsidiary Name	Main activity	Country	Ownership percentages and voting power acquired
Aljada Hotel Company	hotel management	Kingdom of Saudi Arabia	%100

During February 2022, the Fund acquired Aljada Hotel Company (a limited liability company registered in Riyadh, Saudi Arabia with Commercial Registry No. 1010595498 (dated 17/01/1441 H corresponding to 16/09/2019). The company's main activity is the short-term accommodation and catering activities and services.

The comparison figures presented in the consolidated financial statements for the period ended June 30, 2022, do not include the acquired company.

During the period ending on June 30, 2023 AD, additional units were issued in return for in-kind and cash contributions, as the number of units issued reached 35,657,343 units, and the offering price per unit amounted to 6.68 Saudi riyals, as the total proceeds from issuing units amounted to 238,191,051 Saudi riyals.

2. REGULATING AUTHORITY

The Fund is governed by the Investment Fund Regulations (the "Regulations") published by CMA on 12 Rajab 1442 AH (corresponding to 24 February 2021) which sets out the requirements that all real estate funds traded in the Kingdom of Saudi Arabia must follow.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

3.1 Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with the International Accounting Standard 34 " Interim Financial Reporting" ("IAS 34") endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi organization for chartered and professional accountants and must be read in conjunction with the Group's latest annual financial statements for the year ended December 31, 2022. These financial statements usually do not include all the information required to prepare the financial statements, but accounting policies and specific explanatory notes have been included to explain important events and transactions in order to understand the changes in the financial position and the fund's performance since December 31, 2022.

3.2 Measurement bases

These condensed consolidated interim financial statements were prepared based on the historical cost convention.

3.3 Functional and presentation currency

These condensed consolidated interim financial statements have been presented in Saudi Riyals which is the fund's functional and presentation currency.

3.4 New standards, amendments to standards and interpretations

There are new standards and a number of amendments to the standards effective 1 January 2023, which have been set out in the Fund's annual financial statements but have no material impact on the Fund's CONDENSED CONSOLIDATED INTERIM financial statements.

3.5 Critical accounting judgments, estimates and assumption

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Fund's accounting policies and the main sources of estimates were the same as those applied to the financial statements for the year ended 31 December 2022.

4. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
	SAR	SAR
Cash at bank	20,643,145	20,030,730
Deposits*	114,500,000	-
petty cash	99,061	94,303
	135,242,206	20,125,033

*As of June 30, 2023, the Fund entered into a short-term Murabaha agreement with a principal maturity of less than three months, with a profit margin of 5.6%.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

5. INVESTMENT PROPERTIES, NET

	Land SAR	Building SAR	Projects under construction SAR	Total SAR
Cost				
Balance as of 1 January 2023	594,630,650	747,893,598	15,857,123	1,358,381,371
Additions during the period	-	10,443,031	1,000,620	11,443,651
Reconciliation during the period	-	(11,239,833)	-	(11,239,833)
Balance as of 30 June 2023	594,630,650	747,096,796	16,857,743	1,358,585,189
Accumulated Depreciation				
Balance as of 1 January 2023	-	(58,787,105)	-	(58,787,105)
Charge for the period	-	(9,349,158)	-	(9,349,158)
Balance as of 30 June 2023	-	(68,136,263)	-	(68,136,263)
Impairment of investment properties				
Balance as of 1 January 2023	(13,874,152)	(8,491,852)	(3,934,126)	(26,300,130)
Charge for the period	(11,109,482)	(6,512,145)	(1,807,118)	(19,428,745)
Balance as of 30 June 2023	(24,983,634)	(15,003,997)	(5,741,244)	(45,728,875)
Net Book Value on 30 June 2023	569,647,016	663,956,536	11,116,499	1,244,720,051

	Land SAR	Building SAR	Projects under construction SAR	Total SAR
Cost				
Balance as of 1 January 2022	504,179,900	489,273,917	15,572,500	1,009,026,317
Additions during the year	90,450,750	258,619,681	284,623	349,355,054
Balance as of 31 December 2022	594,630,650	747,893,598	15,857,123	1,358,381,371
Accumulated Depreciation				
Balance as of 1 January 2022	-	40,813,476	-	40,813,476
Charge for the year	-	(17,973,629)	-	(17,973,629)
Balance as of 31 December 2022	-	(58,787,105)	-	(58,787,105)
Impairment of investment properties				
Balance as of 1 January 2022	(11,678,769)	(3,608,031)	(3,839,660)	(19,126,460)
Charge for the year	(2,195,383)	(4,883,821)	(94,466)	(7,173,670)
Balance as of 31 December 2022	(13,874,152)	(8,491,852)	(3,934,126)	(26,300,130)
Net Book Value on 31 December 2022	580,756,498	680,614,641	11,922,997	1,273,294,136

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 13). These values are based on estimates by independent valuers due to estimation uncertainty.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

5. INVESTMENT PROPERTIES, NET (CONTINUED)

Investment properties are as follows:

- West Avenue Building: It is a commercial complex (Mall) in Al-Faisaliah district, Dammam.
- The Elite "Elite Mall": A complex of restaurants, cafes, and offices on Prince Abdulaziz Bin Musaed bin Jiluwi Road in Sulaymaniyah district in Riyadh.
- Vivienda Compound: It is a hotel villas complex located in Prince Faisal bin Fahd bin Abdulaziz Road in, AlHada district, Riyadh.
- Dinar Commercial complex: It is a commercial complex on Prince Sultan Road in Al-Zahra District, Jeddah.
- 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.
- The First Room Hotel Apartments building: It is a building licensed as a furnished "3-star" accommodation facility in An Namudhajiya District in Riyadh.
- Al-Yasmeen Building: It is a residential building in the Al-Yasmeen district, north of Riyadh.
- Al-Sheraa district project: It is a commercial two building project in Al-Sheraa district, Jeddah. It is included in under-construction projects.
- Khamis Mushait Building: consists of two buildings dedicated to restaurants and cafes in Khamis Mushait.
- Obhur Building: It is a restaurant building in Jeddah, Obhur Al Shamaliah district.
- Aljada Complex: It is a commercial hotel property with a hotel operated by RHG under Radisson Blue brand of 104 rooms, 16 hotel villas, 24 trade shows and 5 offices with a total construction area of 33,105.89 square meters.

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 investment properties by Al-Rajhi Development Company Ltd (A subsidiary of Al Rajhi Bank) have been mortgaged with a minimum coverage ratio of 200% of the total facilities in favor of Al-Rajhi Bank for the loan obtained by the fund, provided that these deeds are released after the loan for Al-Rajhi Bank is paid in full (note 7).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

6. LEASE RECEIVABLES, NET

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Lease receivables	54,386,883	50,927,464
Less:		
Provision for ECL	(19,108,817)	(16,594,356)
	35,278,066	34,333,108

The movement of the expected credit losses is as follows:

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Balance at beginning of the period / year	16,594,356	16,165,391
Charge for the period / year	2,514,461	8,411,030
Balance at end of the period / year	19,108,817	16,594,356

7. LONG –TERM LOANS

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 with a minimum coverage ratio of 175% of the total facility. On 19 November 2019, the credit facility was increased to be the total facility of SAR 600,000,000. The facility was paid in full during the year 2021.

Also, a credit facility was obtained from Al-Rajhi Bank of SAR 600,000,000 on 29 December 2021, to finance the activities of the fund and repay the balance of the existing loan at Bank Albilad, by guaranteeing the mortgage of the real estate deeds invested in the fund with a coverage ratio of not less than 200% of the value of the total facilities (Note 5). Where the user reached from the facility as of 30 June 2023, an amount of SAR 577,390,074 (2022: 577,390,074 Saudi riyals), provided that he pays all the amounts due after seven years from the date of the first withdrawal.

The movement of financing facility is as follows:

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Balance at beginning of the period / year	577,390,074	342,599,995
Withdrawals during the period / year	-	234,790,079
Accrued Finance cost	16,437,009	11,778,978
	593,827,083	589,169,052
Less:		
Deferred finance cost	(1,064,010)	(1,189,101)
	592,763,073	587,979,951

8. UNEARNED RENTAL INCOME

Unearned rental income represents investment properties' lease income that does not belong to the period ended 30 June 2023 and this income amounted to 11,372,841 Saudi riyals (31 December 2022: 15,541,668 Saudi riyals).

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

9. RELATED PARTY TRANSACTIONS

Related parties to the Fund comprise Unitholders, Fund Manager, members of the board of directors, and other funds managed by the Fund Manager. In the ordinary course of business, the Fund transacts with related parties. The related parties' transactions are governed by the regulations issued by CMA. 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 to calculate management fees is based on the fair value of the investment in real estate properties. (Note 13). The Fund pays the following fees as well:

- Capital structure fees: The Fund Manager or any other party who arranges the capital structure charges the Fund a fee up to 1% of the total of any subscription amounts collected during future offering periods or upon collecting any other subscription amounts, whether in cash (by rights-of-issue) or in kind. fee is paid once, immediately after closing any capital-raising process.
- Finance structuring fees: The Fund Manager or any other party charges the Fund a financing structuring fee up to 1% of the total amount withdrawn under any bank facilities.
- Dealing fee: The Fund Manager charges the Fund a one-time dealing fee of up to 1% of the sale or acquisition value of any real estate asset throughout the term of the Fund.

A) Below are significant related party transactions during the period:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>Amount of transaction during the period ended</u>	
		<u>30 June 2023</u>	<u>30 June 2022</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
		<u>SAR</u>	<u>SAR</u>
Mulkia Investment Company	Management fees	6,356,935	5,906,187
	Dealing fees	-	2,131,065
	Finance structuring fees	-	2,290,895
	Expenses paid	651,375	-
Board members	Attendance allowance	-	-

B) Below are balances due to related parties:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
		<u>SAR</u>	<u>SAR</u>
Mulkia Investment Company	Management fees	12,901,600	10,591,126
	Expenses paid on behalf	118,036	41,660
		13,019,636	10,632,786

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10. ACCRUED EXPENSES AND OTHER PAYABLES

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Advance payments from clients for rooms	283,260	598,477
Professional advisory fees	141,643	1,627,500
Tax payable	859,337	1,327,726
Employee and labor accruals	143,220	749,755
Accrued expenses	2,364,847	2,099,765
Other payables	888,652	226,263
	4,680,959	6,629,486

11. ACCOUNTS PAYABLE

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Purchase of investment properties payables*	-	121,893,507
Trade payables	2,461,188	880,601
	2,461,188	122,774,108

* Purchase of investment properties payables are the second phase of acquisition of of Aljada Complex and will be made by increasing the capital of the Fund through in-kind subscription by the owners of the property in the amount of SAR 35,000,000 and raising the remaining amount of SAR 86,893,507 through the public cash offering or bank financing available to the Fund.

12. ZAKAT PROVISION

During 2021, the Zakat, Tax and Customs Authority("ZATCA") approved the voluntary registration of real estate investment traded funds. The authority stipulated the existence of a legal person (a special purpose entity) for investment funds wishing to register with it to submit their returns and pay zakat. The Capital Market Authority ("CMA") announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations so that fund managers wishing to obtain a special purpose facility license can apply to the Authority from the date these regulations come into force on May 1, 2021.

A) The movement of the zakat provision is as follows:

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Balance at beginning of the period / year	1,041,539	2,143,693
Charged during the period / year	218,801	1,108,321
Paid during the period / year	(429,858)	(2,210,475)
Balance at end of the period / year	830,482	1,041,539

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According to 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 the average of two valuations prepared by independent valuers. As stated in the Fund's terms and conditions, the net asset's value is calculated based on the market value obtained. In accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses (if any).

The fair value of investment properties is determined based on the evaluation performed by two valuers for each asset, Vaile 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 (An independent valuer accredited by the Saudi Authority for Accredited Valuers), license No. 1210000037.

Valuer assessment of investment properties was as follows:

	Vaile company SAR	Estnad office SAR	Average SAR
Fair value of investment properties on 30 June 2023	1,296,883,316	1,309,140,000	1,303,011,658
Fair value of investment properties 31 December 2022	1,326,218,316	1,328,720,000	1,327,469,158

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13. EFFECT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

1- The following is a statement of unrealized gains on properties valued on the basis of property valuations (fair value):

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Fair value of investment properties	1,303,011,658	1,327,469,158
Net book value of investment properties (note 7)	(1,244,720,051)	(1,273,294,136)
Unrealized gains based on property valuations	58,291,607	54,175,022
Units in issue	103,765,995	68,108,652
Unrealized gains based on property valuations per unit	0.56	0.80

2- net assets analysis using the properties fair valuation is as follows:

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Net assets at cost presented in these CONDENSED CONSOLIDATED INTERIM financial statements	807,652,654	600,229,358
Unrealized gains based on property valuations (note 13.1)	58,291,607	54,175,022
Net assets at fair value	865,944,261	654,404,380

3- Statement of net asset per unit using properties fair valuation is as follows:

	30 June 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
Net assets of units at cost presented in these CONDENSED CONSOLIDATED INTERIM financial statements	7.783	8.813
Impact on net asset value per unit due to unrealized gains on the basis of properties valuations (note 13.1)	0.562	0.795
Net assets per unit at fair value	8.345	9.608

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14. FINANCE CHARGES

	For the period ended 30 June 2023 (Unaudited) SAR	For the period ended 30 June 2022 (Unaudited) (Un-consolidated) SAR
Interests on long-term bank loans	<u>19,475,660</u>	<u>7,926,103</u>
Amortization of deferred finance expenses	<u>125,091</u>	<u>103,889</u>
	<u>19,600,751</u>	<u>8,029,992</u>

15. SEGMENT INFORMATION

The Fund's principal business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The following are the Fund's total assets and liabilities as of June 30, 2023 and December 31, 2022, its total operating income and expenses, and the results for the years ending on that date, by operating sector:

comprehensive income**For the period ended 30 June 2023 (Unaudited)**

	Rent	Hotel	Total
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
<u>Revenues</u>			
Rental and operating income	37,610,417	16,417,431	54,027,848
Other income	752,444	38,094	790,538
Total Revenue	<u>38,362,861</u>	<u>16,455,525</u>	<u>54,818,386</u>
<u>Expenses</u>			
Fund management fees	(6,356,935)	-	(6,356,935)
Salaries and wages for hotel operating staff	-	(2,837,572)	(2,837,572)
Hotel management fees	-	(1,700,378)	(1,700,378)
operating expenses	-	(3,702,413)	(3,702,413)
Custody fees	(164,570)	-	(164,570)
Provision for expected credit losses	(2,489,376)	(25,085)	(2,514,461)
consumption of real estate investments	(9,349,158)	-	(9,349,158)
financing burdens	(19,600,751)	-	(19,600,751)
Dealing fees	-	-	-
Financing structuring fees	-	-	-
Other administrative expenses	(4,344,608)	(2,588,487)	(6,933,095)
Impairment of Investment properties	(19,428,745)	-	(19,428,745)
Total Expenses	<u>(61,734,143)</u>	<u>(10,853,935)</u>	<u>(72,588,078)</u>
Net (loss)/profit for the period before	<u>(23,371,282)</u>	<u>5,601,590</u>	<u>(17,769,692)</u>
Zakat expense	(41,476)	(177,325)	(218,801)
Net (loss)/profit for the period	<u>(23,412,758)</u>	<u>5,424,265</u>	<u>(17,988,493)</u>
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss			
Gain on derivatives contracts	4,928,988	-	4,928,988
Total other comprehensive income for the	<u>4,928,988</u>	<u>-</u>	<u>4,928,988</u>
Total loss and other comprehensive	<u>(18,483,770)</u>	<u>5,424,265</u>	<u>(13,059,505)</u>

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comprehensive income

For the period ended 30 June 2022 (Unaudited)
(Un-consolidated)

	Rent	Hotel	Total
	SAR	SAR	SAR
<u>Revenues</u>			
Rental and operating income	32,630,079	-	32,630,079
Profits from investments in subsidiaries	2,720,267		2,720,267
Other income	-	-	-
Total Revenue	35,350,346	-	35,350,346
<u>Expenses</u>			
Fund management fees	(5,906,187)	-	(5,906,187)
Hotel operating costs	-	-	-
Custody fees	(142,843)	-	(142,843)
Provision for expected credit losses	-	-	-
consumption of real estate investments	(8,638,248)	-	(8,638,248)
financing burdens	(8,029,992)	-	(8,029,992)
Dealing fees	(2,131,065)	-	(2,131,065)
Financing structuring fees	(2,290,895)	-	(2,290,895)
Other administrative expenses	(891,706)	-	(891,706)
Impairment of Investment properties	(20,195,057)	-	(20,195,057)
Total expenses	(48,225,993)	-	(48,225,993)
Net loss for the period before zakat	(12,875,647)	-	(12,875,647)
Zakat Expenses	(182,985)	-	(182,985)
Net loss for the period before zakat	(13,058,632)	-	(13,058,632)
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss			
Gain on derivatives contracts	-	-	-
Total other comprehensive income for the	-	-	-
Total loss and other comprehensive income	(13,058,632)	-	(13,058,632)

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	Rent	Hotel	Total
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
<u>ASSETS</u>			
Cash and cash equivalents	131,733,088	3,509,118	135,242,206
Inventory	-	269,875	269,875
Investment properties, net	1,244,720,051	-	1,244,720,051
Lease receivables, net	33,754,504	1,523,562	35,278,066
Accrued revenue	9,310,335	-	9,310,335
Assets from derivatives contracts	6,004,031	-	6,004,031
Prepaid expenses and other receivables	2,212,552	690,180	2,902,732
TOTAL ASSETS	1,427,734,561	5,992,735	1,433,727,296
<u>LIABILITIES</u>			
Long –term loans	592,763,073	-	592,763,073
Unearned rental income	11,372,841	-	11,372,841
Due to related party	13,019,636	-	13,019,636
Accounts payable	1,066,568	1,394,620	2,461,188
Accrued expense and other payables	1,767,563	2,913,396	4,680,959
Provision for end-of service benefits for hotel operating staff	-	201,689	201,689
Provision for renovation of hotel assets	-	744,774	744,774
Zakat provision	708,146	122,336	830,482
TOTAL LIABILITIES	620,697,827	5,376,815	626,074,642
NET ASSETS ATTRIBUTABLE TO	807,036,734	615,920	807,652,654

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15. SEGMENT INFORMATION(CONTINUED)**Balance sheet**

31 December 2022 (Unaudited)

	Rent	Hotel	Total
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
<u>ASSETS</u>			
Cash and cash equivalents	10,997,376	9,127,657	20,125,033
Inventory	-	239,711	239,711
Investment properties, net	1,273,294,136	-	1,273,294,136
Lease receivables, net	32,341,976	1,991,132	34,333,108
Accrued revenue	12,166,001	-	12,166,001
Assets from derivatives contracts	306,713	-	306,713
Prepaid expenses and other receivables	825,101	4,142,899	4,968,000
TOTAL ASSETS	1,329,931,303	15,501,399	1,345,432,702
<u>LIABILITIES</u>			
Long –term loans	587,979,951	-	587,979,951
Unearned rental income	15,541,668	-	15,541,668
Due to related party	10,632,786	-	10,632,786
Accounts payable	121,893,507	880,601	122,774,108
Accrued expense and other payables	2,332,351	4,297,135	6,629,486
Provision for end-of service benefits for	-	188,150	188,150
Provision for renovation of hotel assets	-	415,656	415,656
Zakat provision	833,338	208,201	1,041,539
TOTAL LIABILITIES	739,213,601	5,989,743	745,203,344
NET ASSETS ATTRIBUTABLE TO	590,717,702	9,511,656	600,229,358

16. DIVIDENDS

- On January 17, 2022, the fund manager agreed to distribute dividends to unitholders for the period ending on December 31, 2021 in the amount of 12,259,557 Saudi riyals.
- On April 17, 2022, the fund manager agreed to distribute profits to unitholders for the period ending on March 31, 2022 in the amount of 8,854,125 SR.
- On January 18, 2023, the fund manager announced the distribution of cash dividends to the unit holders of the Gulf Real Estate REIT Fund for the period ending on December 31, 2022, in the amount of 8,854,125 Saudi riyals.
- On April 11, 2023, the fund manager announced the distribution of cash dividends to the unit holders of the Gulf Real Estate REIT Fund for the period ending on March 31, 2023, in the amount of 8,854,125 Saudi riyals.

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17. CONTINGENT COMMITMENTS

The fund manager believes that there are no contingent commitments as of the reporting date.

18. GENERAL

The figures included in the accompanying CONDENSED CONSOLIDATED INTERIM financial statements have been rounded to the nearest Saudi Riyal.

19. SUBSEQUENT EVENTS

On July 17, 2023, the fund manager announced the distribution of dividends of 0.10 Saudi riyals per unit in the amount of 10,376,599 Saudi riyals. Otherwise, in the opinion of the management, there were no other significant subsequent events after June 30, 2023 and until the date of approval of the condensed consolidated interim financial statements that could have a material impact on the condensed consolidated interim financial statements as of June 30, 2023.

20. LAST VALUATION DAY

The last valuation day of the period was on 30 June 2023 (31 December 2022).

21. APPROVAL OF INTEIRM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been approved by the Fund Board on Muharram 25, 1445 H (August 12, 2023).