RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

<u>Opinion</u>

We have audited the accompanying consolidated financial statements of Riyad REIT Fund ("the Fund"), being managed by Riyad Capital (the "Fund Manager"), which comprises the consolidated statement of financial position as at 31 December 2020 and the related consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements taken as a whole, present fairly, in all material respects, the consolidated financial position of the Fund as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Chartered and Professional Accountants ("SOCPA").

<u>Basis for Opinion</u>

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other 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.

<u>Key Audit Matters</u>

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key matter was addressed in our audit
Riyad REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.	For impairment of investment properties, we have carried out the following audit procedures: – We obtained two valuation reports from independent real estate evaluators Taqeem certified for each investment properties as at 31 December 2020 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Key Audit Matters (continued)

Key audit matter	How the key matter was addressed in our audit
Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semiannual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements.	– We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; – Involved our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties. – Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same except for certain properties, which had an immaterial impairment impact and thus not recorded by the Fund's management; and – We reconciled the average fair value of the investment properties as per note 20 to the external valuers' reports.

Other information

Other information consists of the information included in the Fund's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Fund's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Fund's management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 "ISA" 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 consolidated 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 consolidated 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

<u>Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)</u>

- Conclude on the appropriateness of management'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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

For and on behalf of
Al-Bassam & Co.

البسام وشركاؤه
C.R.1010385804
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337

17 Shabban 1442
30 March 2021

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in SAR)

	Note	2020	2019
ASSETS			
Cash and cash equivalents	7	**30,289,408**	44,591,183
Account receivables, net	8	**52,763,009**	59,490,382
Inventory		**952,475**	1,187,914
Prepayment and other receivables	9	**42,275,387**	29,276,109
Due from related parties	12	**196,556**	1,292,656
Properties under development	10	**15,257,530**	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	16	**590,546,977**	453,042,060
Investment properties	11	**1,788,863,770**	1,619,484,881
TOTAL ASSETS		**2,521,145,112**	2,385,770,176
LIABILITIES			
Islamic Financing	13	**833,907,492**	685,076,029
Accounts payable		**7,202,975**	10,615,100
Unearned rental income	14	**18,324,248**	18,971,558
Accrued expenses and other liabilities	15	**65,964,186**	44,644,082
Due to related parties	12	**1,546,506**	1,165,927
Employees' post-employment benefits		**2,842,780**	1,732,608
TOTAL LIABILITIES		**929,788,187**	762,205,304
Net assets attributable to the Unitholders		**1,591,356,925**	1,623,564,872
Units in issue *(numbers)*		**171,697,101**	171,697,101
Book value attributable to each unit		**9.27**	9.46
Fair value attributable to each unit	20	**9.59**	9.66
Commitments and contingencies	22		

The accompanying notes 1 to 32 form an integral part of these consolidated financial statemen

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Amounts in SAR)

	Note	2020	2019
INCOME			
Income from rental and operation	17	**141,135,596**	**173,207,979**
Unrealized gain on investments carried at FVTPL		**-**	**45,551**
Dividend Income		**44,885,019**	**7,947,713**
Total Income		**186,020,615**	**181,201,243**
Cost of Revenue		**(28,337,352)**	**(35,167,566)**
GROSS PROFIT		**157,683,263**	**146,033,677**
OPERATING EXPENSES			
Property management expenses		**(5,226,775)**	**(7,152,282)**
Fund management fee	12	**(20,099,677)**	**(18,604,840)**
Custodial expenses		**(125,000)**	**(126,000)**
General and administrative expenses	18	**(42,109,936)**	**(20,552,278)**
Finance cost expense	12,13	**(20,956,479)**	**(7,144,318)**
TOTAL OPERATING EXPENSES		**(88,517,867)**	**(53,579,718)**
Other income		**544,149**	**410,610**
FUNDS FROM OPERATIONS		**69,709,545**	**92,864,569**
Investment properties depreciation	11	**(24,653,799)**	**(21,979,998)**
Net income for the year		**45,055,746**	**70,884,571**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**45,055,746**	**70,884,571**

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2020
(Amounts in SAR)

	Note	2020	2019
Net assets value attributable to the Unitholders at the beginning of the year		**1,623,564,872**	1,641,962,795
Changes from unit transaction during the year:			
- Subscription of units – Cash		-	-
- Subscription of units – In kind contribution		-	-
Total comprehensive income for the year		**45,055,746**	70,884,571
Dividends paid during the year	21	**(77,263,693)**	(89,282,494)
Net assets value attributable to the Unitholders at the end of the year		**1,591,356,925**	1,623,564,872

Transactions in units for the year are summarized as follows:

	2020	2019
Number of units at the beginning of the year	**171,697,101**	171,697,101
Subscription of units – Cash	-	-
Subscription of units – In kind contribution	-	-
Number of units at the end of the year	**171,697,101**	171,697,101

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Amounts in SAR)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**45,055,746**	70,884,571
Adjustments to reconcile net income to net cash used in operating activities:			
Impairment loss on account receivables	8	**4,610,997**	1,831,904
Investment properties depreciation	11	**24,653,799**	21,979,998
Finance cost	16	**20,956,479**	7,144,318
Unrealized gain or loss on Investments carried at FVTPL		**-**	(45,551)
		95,277,021	94,650,922
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Account receivables		**2,116,376**	(27,178,199)
Inventory		**235,439**	48,214
Prepayment and other receivables		**(12,999,278)**	(11,943,939)
Due from Related Parties		**1,096,100**	11,023,621
Properties under development		**(31,672,493)**	(43,477,419)
Accounts payable		**(3,412,125)**	4,644,259
Accrued expenses and other liabilities		**21,320,104**	(4,135,056)
Employees' post-employment benefits		**1,110,172**	-
Unearned rental income		**(647,310)**	10,056,255
Due to Related Parties		**380,579**	(1,823,828)
Purchase of investment properties		**(212,734)**	(73,228,429)
Net cash generated from / (used in) operating activities		**72,591,851**	(41,363,599)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments measured at FVPL	16	**(137,504,917)**	(452,996,509)
Net cash used in investing activities		**(137,504,917)**	(452,996,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(169,000,556)**	**(88,339,892)**
Proceeds from borrowing	13	**311,958,880**	690,474,562
Finance cost paid		**(15,083,340)**	(5,398,533)
Dividends paid	21	**(77,263,693)**	(89,282,494)
Net cash from financing activities		**50,611,291**	507,453,643
Net increase in cash and cash equivalents		**(14,301,775)**	13,093,535
Cash and cash equivalents at the beginning of the year		**44,591,183**	31,497,648
Cash and cash equivalents at the end of the year		**30,289,408**	44,591,183
Supplemental non-cash transactions			
Transferred from properties under development to investments property		**(193,819,954)**	-

The accompanying notes 1 to 32 form an integral part of these consolidated financial statements.

1- THE FUND AND ITS ACTIVITIES

Riyad REIT (the "REIT" or the "Fund") is a closed-ended Shari'ah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the Capital Market Authority (CMA). The REIT is listed on the Tadawul and units of the REIT shall be traded on the Tadawul in accordance with its rules and regulations. The subscribed units of the REIT equal to 171,697,101 unit. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager with the prior approval of the CMA. These consolidated financial statements include the accounts of the REIT and its subsidiaries (together the "REIT" or the "Fund")

The REIT is managed by Riyad Capital (the "Fund Manager"), a Saudi Arabian One Person Closed Joint Stock Company with Saudi Arabian commercial registration no. 1010239234, and an Authorized Person licensed by the CMA under license no. 07070-37. Also, a 100% owned subsidiary of Riyad Bank.

The primary investment objective of the REIT is to provide its investors with current income by investing in construction developed income-producing real estate assets in Saudi Arabia. While the REIT will primarily invest in such assets, the REIT may opportunistically invest in real estate development projects; provided that (i) at least 75% of the REIT's total assets are invested in developed real estate assets which generate periodic income and (ii) the REIT may not invest in vacant land.

The REIT may, a secondary basis, invest in development opportunities with profitable growth potentials that cater for specific real-estate needs, previously unavailable in certain areas. An added value is expected, in the medium term, to be created to Unitholders in such development projects. In the long term, the REIT's investment portfolio will continue to focus on attractive investment opportunities in different real-estate sectors, including, but not limited to, offices, trade exhibitions, houses, hospitality facilities, warehouses, etc. in order to build a real-estate base with diverse and stable income for Unitholders as well as achieve reasonable increase in the portfolio value.

The REIT shall be governed by the laws of Saudi Arabia and the regulations implemented by the CMA. The investments of the REIT shall comply with the Regulation of Ownership and Investment in Real Estate by Non-Saudis. The offering of units in the REIT has been approved by the CMA on 8/2/1438H (corresponding to 8/11/2016). Also see note 29

These consolidated financial statements include the information of the REIT and its following subsidiaries collectively group

Name of subsidiary	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Rafal Hotel Company – Burj Rafal Hotel	Hotel	Saudi Arabia	100%
Durrat Hittin company – Braira Hattin Hotel	Hotel	Saudi Arabia	100%
Takhtit Al Marafiq	Operating and maintenance	Saudi Arabia	100%
Shati Alkhobar	Hotel	Saudi Arabia	100%

2- REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and 19 Jumada al-Alkhirah 1427H (corresponding to 15 July 2006) respectively, detailing requirements for all types of funds within the Kingdom of Saudi Arabia.

3- BASIS OF PRESENTATION

3.1 *Statement of compliance*

These consolidated 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 that are endorsed by the Saudi Organization of Certified Public Accountants ("SOCPA").

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

3- BASIS OF PRESENTATION (CONTINUED)

3.2 Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared under the historical cost convention except for investments measured at FVTPL, and the amounts are expressed in Saudi Arabian Riyals (SAR), which is REITs functional and presentation currency.

As required by the CMA through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the investment properties upon adopting the IFRS for three years period starting from the IFRS adoption date of 1 January 2018.

On 31 December 2019, CMA examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation options and made the following decisions:

1- Obligating listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and

2- Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) and investment property (IAS-40) for the financial period starting from the calendar year 2023 or thereafter.

3.3 Critical accounting judgments, estimates and assumption

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Going Concern

REIT's management has made an assessment of REIT's ability to continue as a going concern and is satisfied that the REIT has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on REIT's ability to continue as a going concern.

Valuation of investment properties

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the fund is not yet committed to or significant future investments that will enhance each assets performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3- BASIS OF PRESENTATION (CONTINUED)

3.3 Critical accounting judgments, estimates and assumption (continued)

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Residual and useful lives of investment properties

The REIT's management determines the estimated residual value and useful lives of its investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

3- BASIS OF PRESENTATION (CONTINUED)

3.5 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation. Several such bodies have issued guidance and some allow the pooling of interests method in accounting for business combinations involving entities under common control.

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is good will arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

3- BASIS OF PRESENTATION (CONTINUED)

3.5 Basis of consolidation (continued)

Non-controlling interest

NCI, if any, are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized profits or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

4- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Fund without any restrictions. Cash and cash equivalents are carried at amortized cost within the consolidated statements of financial position.

Rent receivable

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost, which is determined on the weighted average basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Properties under development

Properties acquired, constructed or are in the course of construction and development are classified as development properties. The cost of development properties includes the cost of land and other related expenditure. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed and handed over for its intended use. The Fund's management reviews the carrying values of the development properties at each reporting date. Commission on tawaruq facility with regards to properties under development is being capitalized till the related property is ready for use.

4- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions

Transactions in foreign currencies are translated into the Saudi Arabian Riyals, which is also the functional currency of the Fund, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions. Foreign currency differences are generally recognized in profit or loss.

Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs

Useful lives of different components of investment properties are as follows:

Categories	Useful Life
Building	50 Years
Equipment	15 Years

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

Impairment of non-current assets

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income.

Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method. A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of lease contracts over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Income from hotel operations

Revenue is generated from hotel operation, which includes room rental, sales of food and drinks/beverages. Revenue is recognized when room is occupied, services are incurred, and when the food and drinks are sold. Following criteria must be fulfilled before revenue is recognized:

Service incurred:

Revenue for the service (food and drink) is recognized when the hotel fulfils the performance obligation. The hotel recognizes the revenue once the service has been provided.

Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVTPL financial instruments or other operating income based on the underlying classification of the equity instrument

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses

Expenses including Property management expenses, Fund management fees, custodial fees and other fees are recorded on accrual basis.

Zakat

Zakat is the obligation of the Unitholders and is not provided for in these consolidated financial statements. The Zakat amount which is charged in the consolidated statements of comprehensive income is related to the subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Equity) per unit

The equity per unit is calculated by dividing the equity attributable to unitholders included in the statement of financial position by the numbers of units outstanding at the year/period end.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets in the event of the Fund's liquidation.

Units are classified as equity as it meets all of the following conditions:

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

Dividend distribution

Dividend distribution to the unit holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Fund's Board.

Financial instruments

Recognition and initial measurement

Receivables from operating leases issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions:
a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:
a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

	IFRS 9	
	Measurement category	**Carrying amount**
Financial assets		
Cash and cash equivalents	Amortized cost	**30,289,408**
Account receivables	Amortized cost	**52,763,009**
Prepayment and other receivables	Amortized cost	**42,275,387**
Due from related parties	Amortized cost	**196,556**
Investments carried at FVTPL	FVTPL	**590,546,977**
Total financial assets		716,071,337

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

(a) the Fund has transferred substantially all the risks and rewards of the asset, or
(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment:

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): the likelihood of a default over a particular time horizon.

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst- and best-case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for the above-mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Portfolio segmentation

The fund assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

Definition of default

In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the statement of profit or loss. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Fund. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the statement of profit or loss.

Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Fund recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables, related party and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

	IFRS 9	
Financial Liabilities	**Measurement category**	**Measurement category**
Islamic Financing	Amortized cost	**833,907,492**
Accounts payable	Amortized cost	**7,202,975**
Due to related parties	Amortized cost	**1,546,506**
Accrued Expenses	Amortized cost	**65,964,186**
Total financial liabilities		**908,621,159**

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability

The Fund derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Fund's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

5- NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2019. There are new standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Fund.

There are other several amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements. In the opinion of the Fund's Board, these will have no significant impact on the financial statements of the Fund. The Fund intends to adopt those amendments and interpretations, if applicable.

5-1-1 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

New amendments to standards issued and applied effective January 1, 2020

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	January 1, 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
IFRS 3	Definition of business	January 1, 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

5- NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

5.1.2 New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

6- MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

MANAGEMENT FEE, OTHER EXPENSES

On semiannual basis the Fund Manager charges the Fund, management fee at the rate of 1.2 % per annum of the Fund's total assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges.

TRANSACTION FEE

Further, the Fund Manager charges the Fund, one-time acquisition fee at the rate of 1 % on the acquisition or sale price of the real estate assets.

7- CASH AND CASH EQUIVALENTS

	Note	2020	2019
Cash on hand		**482,431**	191,000
Investment account	7-1,12	**180,507**	215,046
Cash at Bank	7-2	**29,626,470**	44,185,137
		30,289,408	44,591,183

7-1 Investment account is held with Riyad Capital, a related party (Also see Note 12). The Fund does not earn profit on these accounts.

7-2 Cash at Bank are held in current account partially with Riyad Bank, a related party (Also see Note 12). The Fund does not earn profit on these current accounts.

8- ACCOUNT RECEIVABLES, NET

	2020	2019
Account Receivable	**60,920,507**	63,036,883
Provision for doubtful debts	**(8,157,498)**	(3,546,501)
	52,763,009	59,490,382

The summary for the movement of allowance for expected credit or loss is as follows:

	2020	2019
1 January	**(3,546,501)**	(1,714,597)
Provided during the year	**(4,610,997)**	(1,831,904)
31 December	**(8,157,498)**	(3,546,501)

9- PREPAYMENT AND OTHER RECEIVABLES

	2020	2019
Dividend receivables	**22,055,860**	3,861,113
Prepaid expenses	**4,432,541**	3,042,630
Cash margin for Letter of Credit	**2,000,000**	3,381,216
VAT	**9,851,236**	5,495,350
Advances to sub-contractors	**1,549,652**	10,508,620
Other	**2,386,098**	2,987,180
	42,275,387	29,276,109

10- PROPERTIES UNDER DEVELOPMENT

	Note	2020	2019
Balance at the beginning of the year		**177,404,991**	133,927,572
Development cost incurred during the year		**30,387,615**	42,247,494
Islamic financing cost capitalized	12, 13	**1,284,878**	1,229,925
Transferred to investment properties		**(193,819,954)**	-
Balance at the end of the year		**15,257,530**	177,404,991

11- INVESTMENT PROPERTIES

	Note	Land	Building	Equipment	Total
Cost					
Balance as of 31 December 2019		**743,824,715**	**830,368,632**	**94,294,257**	**1,668,487,604**
Additions			**212,734**		**212,734**
Transferred from properties under development		**23,006,214**	**150,981,615**	**19,832,125**	**193,819,954**
Balance as of 31 December 2020		**766,830,929**	**981,562,981**	**114,126,382**	**1,862,520,292**
Accumulated Depreciation					
Balance as of 31 December 2019		-	**(37,530,508)**	**(11,472,215)**	**(49,002,723)**
Charge for the year	11.1	-	**(17,769,043)**	**(6,884,756)**	**(24,653,799)**
Balance as of 31 December 2020		-	**(55,299,551)**	**(18,356,971)**	**(73,656,522)**
Net Book Value:					
as of 31 December, 2020		**766,830,929**	**926,263,430**	**95,769,411**	**1,788,863,770**
as of 31 December, 2019		743,824,715	792,838,124	82,822,042	1,619,484,881

This represents twelve properties: namely:

- Izdhar Center: represents a newly built commercial property located on Othman Bin Afan Road in the Izdihar District (within close proximity to Arabian Centre's Al Nakheel Mall). The property is located in Riyadh.
- Altamiz Center: represents a commercial property located on the intersection of Imam Road and Khalid Bin Waleed Street in the Qurtoba neighborhood. The property is located in Riyadh.
- Shati: represents a newly built commercial property located on Prince Mohammed Bin Fahad Road in the Al Shatea neighborhood. The property is located in Dammam.
- Forsan Plaza: represents a commercial property located on King Fahad Road between the Kingdom Center and the Faisaliah Tower. The property is located in Riyadh.
- Ascott Tahlia: represents a commercial property located on Tahlia street close to Bin Hamran, one of Jeddah's most prominent business and shopping centers. The property is located in Jeddah.
- Residence: represents commercial building and hospitality villas consisting of showrooms and office suites located within Hittin district. The property is located in Riyadh.
- Vivienda: represents a newly built hotel villas located on Musa Ibn Nussair Street in Mather Ash Shamali district, between Takhasusi road Prince Turki Ibn Abdulaziz Al Awwal road. The property is located in Riyadh.
- Saudi Electronic University: represents a university located Alrabi district. The property is located in Riyadh
- Omniah Center: represents a commercial property located on Saud Al Faisal Road. The property is located in Jeddah.
- Burj Rafal: Mixed-use property located in King Fahad Road. The property is located in Riyadh
- Olaya Tower: Commercial property located in Olaya street. The property is located in Riyadh
- Ascott Cornich Al-Khobar: represents a hotel located in Prince Turki Road. The property is located in Al Khobar

11- INVESTMENT PROPERTIES

11-1 The Fund charge depreciation on building and equipment over 50 years and 15 years respectively. The depreciation is charged on depreciable amount i.e. cost less residual value. During the year ended 31 December 2019, the useful of building was changed form 30 years to 50 years. For change in estimate refer Note 25.

11-2 All properties are held in the name of Riyadh Real Estate income Company (the "SPV") or by companies owned by the SPV. The SPV are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

11-3 The Fund manager on a periodic basis reviews its investment properties for impairment. An impairment loss is considered by the amount of which the carrying value exceeds the investment properties recoverable amount, which is the higher of an assets fair value less cost to sell and the value in use. In accordance with the periodic evaluation reports furnished by the Fund's independent appraisers, the impairment loss on investment properties was not recognized in the financial statements as the amount was not material.

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

Measurement data of fair value according to IFRS 13 as at 31 December 2020 as follows:

Barcode

Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8%
Altamiz Center	Income Approach and DCF	Capitalization rate and discount rate	8%
Shati	Income Approach	Capitalization rate	8.5%
Forsan Plaza	Income Approach and DCF	Capitalization rate and discount rate	8.5%
Ascott Tahlia	Income Approach and DCF	Capitalization rate and discount rate	8%
Residence	Income Approach	Capitalization rate	8%
Vivienda	Income Approach	Capitalization rate	8%
Saudi Electronic University	Income Approach	Capitalization rate	8%
Omniah Center	Income Approach and DCF	Capitalization rate and discount rate	8%
Burj Rafal	Income Approach and DCF	Capitalization rate and discount rate	8.5%
Olaya Tower	Income Approach	Capitalization rate	9.5%
Ascott Cornich Al-Khobar	Income Approach and DCF	Capitalization rate Discount rate	8% 8.5%

ValuStrat

Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8.5%
Altamiz Center	Income Approach	Capitalization rate	8.5%
Shati	Income Approach	Capitalization rate	8.5%
Forsan Plaza	DRV approach	Exit yield Discount rate	9% 11.5%
Ascott Tahlia	Income Approach	Capitalization rate	8.5%
Residence	DCF	Exit yield Discount rate	8.5% 11%
	Income Approach	Capitalization rate	8.5%
Vivienda	Income Approach	Capitalization rate	8.5%
Saudi Electronic University	Income Approach	Capitalization rate	8%
Omniah Center	Income Approach	Capitalization rate a	8%
Burj Rafal	DCF	Exit yield Discount rate	8% 10.5%
Olaya Tower	Income Approach	Capitalization rate	8.5%
Ascott Cornich Al-Khobar	DCF	Exit yield Discount rate	8% 10.5%

12- BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include Riyad Capital (being the Fund Manager), Riyad Bank (being the shareholder of Riyad Capital) and the Hotels operator.

The significant related party transactions entered into by the Fund during the year and the balances resulting from such transactions are as follows:

Related Party	Nature of transactions	Amount of transactions		Closing balances	
		2020	2019	**2020**	2019
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	-	**2,000,000**	3,381,216
	Current Account	-	-	**17,916,169**	44,066,009
Riyad Capital	Investments account	-	-	**180,507**	215,046
Hotel operator	Operating expenses	**882,268**	608,545	**196,556**	1,292,656
Due to Related parties					
Riyad Capital	Fund management fee**	**20,099,677**	18,604,840	**43,283,326**	21,262,090
	Transaction fee**	-	6,769,460	-	9,304,297
Riyad Bank	Islamic financing	-	-	**833,907,492**	685,076,029
	Finance cost expense	**22,241,357**	8,374,243	-	-
	Bank Commissions	**2,186,732**	1,165,231	-	-
Hotel operator	Hotel management expenses	**1,598,940**	3,945,799	-	1,119,978
	Operating expenses	**244,268**	1,676,095	**1,546,506**	45,949

* Cash margin against letter of credit is included in the consolidated statement of financial position under Prepayment and other receivables.

** Fund management fee and Transaction fee payable is included in the consolidated statement of financial position under accrued expenses.

13- ISLAMIC FINANCING

The Fund obtained a Tawaruq and Islamic Murabaha facility (Shari'ah compliant), whereby the outstanding balance as of 31 December 2020 is SR 833,907,492 (31 December 2019: SR 685,076,029), from Riyad Bank. The Tawaruq facility carried a floating special commission rate of SIBOR+ 1% and matured 2020. The Islamic Murabaha facility carries a floating special commission rate of SIBOR+ 1.6% with a maturity due during 2024.

The Tawaruq and Islamic Murabaha is secured by pledge of Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower.

13- ISLAMIC FINANCING (CONTINUED)

	2020	2019
Balance at beginning of the year	**685,076,029**	88,339,892
Additions during the year	**311,958,880**	683,330,244
Payment	**(169,000,556)**	(88,339,892)
Accrued interest	**5,873,139**	1,745,785
Total value of Islamic financing	**833,907,492**	685,076,029
Current portion	**5,873,139**	170,746,341
Non-Current portion	**828,034,353**	514,329,688

Details on the accrued of finance cost are as follows:

	2020	2019
Opening balance	**1,745,785**	588,862
Additions	**25,083,833**	8,301,241
Amortization of the year	**(20,956,479)**	(7,144,318)
	5,873,139	1,745,785

14- UNEARNED RENTAL INCOME

	2020	2019
Balance at the beginning of the year	**18,971,558**	8,915,303
Rental income received during the year	**59,663,230**	75,291,966
Rental income earned during the year	**(60,310,540)**	(65,235,711)
Balance at the end of the year	**18,324,248**	18,971,558

15- ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020	2019
Fund management fee	12	**43,283,326**	21,262,090
Accrued expenses		**9,988,193**	7,158,534
Transaction fee	12	**-**	9,304,297
Contracts Retention		**4,438,685**	1,075,170
Rooms deposits in advance		**2,428,980**	1,965,442
Other		**5,825,002**	3,878,549
		65,964,186	44,644,082

16- INVESTMENTS CARRIED AT FVTPL

	2020	2019
Investments carried at FVTPL	**590,546,977**	453,042,060

16.1 Movement in investments carried at FVTPL

	2020	2019
Cost		
At the beginning of the year	**452,996,509**	-
Addition during the year	**137,550,468**	452,996,509
At the end of the year	**590,546,977**	452,996,509
Change in fair value:		
Change in fair value during the year	-	45,551
At the end of the year	-	45,551
Net Investments at the end of the year	**590,546,977**	453,042,060

16.2 This represents investments in equity instruments of entities outside the Kingdom of Saudi Arabia.

17- INCOME FROM RENTAL AND OPERATION

	2020	2019
Rental income from investment properties*	**60,310,540**	65,235,711
Income from Hotel operation	**80,825,056**	107,972,268
	141,135,596	173,207,979

*Rental income from investments properties net off discounts as applicable.

18- GENERAL AND ADMINISTRATIVE EXPENSES

General, marketing and administrative expenses represents the following:

	Note	2020	2019
Hotel employee Costs		**14,019,360**	12,603,797
Repairs and maintenance		**4,118,136**	4,061,448
Utilities		**6,145,254**	5,304,501
Marketing expenses		**1,539,970**	3,805,772
Provision for doubtful debts		**4,610,997**	1,831,904
Bank Commissions	12	**2,186,732**	1,165,231
Legal and professional fees		**1,724,138**	1,027,322
Software and hardware maintenance		**641,453**	953,293
Telephone and internet		**1,493,784**	871,374
Training		**-**	302,541
Charge / (Reversal) of capital replacement reserve	18.1	**366,527**	(11,765,109)
Other		**5,263,585**	390,204
		42,109,936	20,552,278

18.1 The reserve for replacement had been created during the period from 2014 till 2018 as per the agreement with the operator, during the year 2019 the operator of the hotel was changed, hence, the previous agreement has been nullified, resulting in reversal of reserve for replacement in 2019.

19- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The REIT's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, other receivables, accrued liabilities and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The REIT management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the REIT.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to due from related parties an obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Cash in placed with a reputable financial institution.

The following table shows maximum exposure to credit risk for the components of the statement of financial position

	Note	**2020**	2019
Cash and cash equivalents	7	**29,806,977**	44,400,183
Accounts receivable	8	**60,920,527**	63,036,883
Due from related parties	9	**196,556**	1,292,656

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on accrued income, margin lending and bank balances is limited as:

- Cash balances included short term deposits are held with banks with sound credit ratings from BBB- and above.
- Accounts receivable and Due from related parties:

  The receivables are shown net of allowance for impairment of account receivables. The Fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all account receivables.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

All financial liabilities have a maturity of less than 1 year except for the Islamic Murabaha facility which will be due in 2024.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

Geographical Concentration

All the assets and liabilities are distributed within the Kingdom of Saudi Arabia, apart from investments carried at FVTPL which is invested in North America.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund's financial positions and cash flow.

The Fund's interest rate risks arise mainly from its borrowings and short-term deposits, which are at fixed rate of interest and are not subject to re-pricing on a regular basis.

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund 's financial positions and cash flow.

The Fund 's interest rate risks arise mainly from its borrowings, which are at variable of interest rate and the sensitivity analysis as follows: -

	2020			
	Income Statement		**Statement of Owners' Equity**	
	Increase 100 points	**Reduce 100 points**	**Increase 100 points**	**Reduce 100 points**
Interest rate swaps Cash-flow sensitivity	**8,280,344**	**(8,280,344)**	**8,280,344**	**(8,280,344)**

	2019			
	Income Statement		Statement of Owners' Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps Cash-flow sensitivity	6,833,302	(6,833,302)	6,833,302	(6,833,302)

Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

As of December 31, 2020, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, account receivables, due from related parties, Islamic financing, due to related parties accrued management fee and accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 3 hierarchy of fair value include investments in equity securities recorded at cost and investment in an unquoted private placement, the fair value of which is determined based on net assets value (NAV) obtained from the private placement operator of the unquoted private placement.. There were no transfers among the level 1, 2 and 3 during the year ended December 31, 2020.

20- EFFECT OF NET ASSET VALUE IF DEVELOPMENT AND INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with the accounting policy of the Fund, development and investment properties are carried at cost less accumulated depreciation and impairment if any in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment and development properties are determined by two selected appraisers each of the 12 properties i.e. **Barcode Company** and **ValuStrat Company**. As of 31 December, the valuation of the investment and development properties are as follows:

2020	**First Appraiser**	**Second Appraisers**	**Average**
Investment properties and property under development	**1,886,537,000**	**1,831,300,000**	**1,858,918,500**
Total	**1,886,537,000**	**1,831,300,000**	**1,858,918,500**

2019	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,846,900,000	1,815,800,000	1,831,350,000
Total	1,846,900,000	1,815,800,000	1,831,350,000

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment and development properties.
The investment and development properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. Below is an analysis of the development and investment properties fair value versus cost:

	2020	2019
Estimated fair value of investment and development properties based on the average of the two valuers used	**1,858,918,500**	1,831,350,000
Less: the carrying value of		
Investment property	**(1,788,863,770)**	(1,619,484,881)
Properties under development	**(15,257,530)**	(177,404,991)
Estimated fair value in excess of book value	**54,797,200**	34,460,128
Units in issue (numbers)	**171,697,101**	171,697,101
Additional value per unit based on fair value	**0.32**	0.20

Net asset attributable to unitholders:

	2020	2019
Net assets attributable to unitholders as per the financial statements before fair value adjustment	**1,591,356,925**	1,623,564,872
Estimated fair value in excess of book value	**54,797,200**	34,460,128
Net assets attributable to unitholders based on fair valuation of investment and properties under development	**1,646,154,125**	1,658,025,000

20- EFFECT OF NET ASSET VALUE IF DEVELOPMENT AND INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

Net asset attributable to each unit:

	2020	2019
Book value per unit as per the financial statements before fair value adjustment	9.27	9.46
Additional value per unit based on fair value	0.32	0.20
Net assets attributable to each unit based on fair valuation	9.59	9.66

All properties are held in the name of Riyad Real Estate Income Company (the "Trustee"). The Trustee is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

21- DIVIDENDS DISTRIBUTION

On 05 April 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2019 amounting to SAR 0.25 per unit totaling SAR 42.924 million to its unitholders.

On 26 August 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 30 June 2020 amounting to SAR 0.20 per unit totaling SAR 34.339 million to its unitholders.

Subsequently, on 22 March 2021, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2020 amounting to SAR 0.25 per unit totaling SAR 42.924 million to its unitholders.

On 06 March 2019 and 20 August 2019, the Fund's Board approved to distribute dividends with regards to the period ended 31 December 2018 and 30 June 2019 amounting to SAR 0.28 per unit and SAR 0.24 per unit totaling SAR 48.075 million and SAR 41.207 million to its unitholders. The same was paid on 25 March 2019 and 3 September 2019 respectively.

22- CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2020, the Fund has outstanding a letters of credit of SR 2.0 million (31 December 2019: SR 3.381 million), being issued by Riyad Bank, against 100% cash margin, which is included in the consolidated statement of financial position under prepayment and other assets.

23- FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortised cost as of 31 December 2020 and 31 December 2019 except for the investments carried at FVTPL.

24- OPERATING SEGMENTS

The Fund's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Fund's total assets and liabilities as at 31 December 2020 and 2019, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

	2020		
Comprehensive income	**Rent**	**Hotel managed by third party**	**Total**
Income from rentals	60,310,540	-	60,310,540
Dividend income	44,885,019	-	44,885,019
Unrealized gain on investments carried at FVTPL	-	-	-
Rooms revenue	-	63,742,836	63,742,836
Food and Beverages	-	15,708,147	15,708,147
Other operating departments	-	1,374,073	1,374,073
Total Income	105,195,559	80,825,056	186,020,615
Rooms cost	-	(14,933,113)	(14,933,113)
Food and Beverages cost	-	(11,221,856)	(11,221,856)
Other operating departments cost	-	(2,182,383)	(2,182,383)
Gross Profit	105,195,559	52,487,704	157,683,263
OPERATING EXPENSES			
Property management expenses	(2,235,531)	(2,991,244)	(5,226,775)
Fund management fee	(11,840,167)	(8,259,510)	(20,099,677)
Custodial expenses	(125,000)	-	(125,000)
General and administrative expenses	(10,391,981)	(31,717,955)	(42,109,936)
Finance cost expense	(20,956,479)	-	(20,956,479)
TOTAL OPERATING EXPENSES	(45,549,158)	(42,968,709)	(88,517,867)
Other income	-	544,149	544,149
Funds from Operations	59,646,401	10,063,144	69,709,545
Investment properties depreciation	(19,884,871)	(4,768,928)	(24,653,799)
Net income for the year	39,761,530	5,294,216	45,055,746

24. OPERATING SEGMENTS (CONTINUED)

	2019		
Comprehensive income	Rent	Hotel managed by third party	Total
Income from rentals	65,235,711	-	65,235,711
Dividend income	7,947,713	-	7,947,713
Unrealized gain on investments carried at FVTPL	45,551	-	45,551
Rooms revenue	-	67,866,673	67,866,673
Food and Beverages	-	36,774,682	36,774,682
Other operating departments	-	3,330,913	3,330,913
Total Income	73,288,975	107,972,268	181,201,243
Rooms cost	-	(12,855,150)	(12,855,150)
Food and Beverages cost	-	(19,568,643)	(19,568,643)
Other operating departments cost	-	(2,743,773)	(2,743,773)
Gross Profit	73,288,975	72,804,702	146,033,677
OPERATING EXPENSES			
Property management expenses	(3,024,712)	(4,127,570)	(7,152,282)
Fund management fee	(9,791,865)	(8,812,975)	(18,604,840)
Custodial expenses	(126,000)	-	(126,000)
General and administrative expenses	(7,081,856)	(20,614,740)	(27,696,596)
TOTAL OPERATING EXPENSES	(20,024,433)	(33,555,285)	(53,579,718)
Other income	-	410,610	410,610
Funds from Operations	53,264,542	39,660,027	92,864,569
Investment properties depreciation	(9,203,385)	(12,776,613)	(21,979,998)
Net income for the year	44,001,157	26,883.414	70,884,571

24- OPERATING SEGMENTS (CONTINUED)

Financial position	**2020**		
	Rent	**Hotel managed by third party**	**Total**
ASSETS			
Cash and cash equivalents	**18,096,677**	**12,192,731**	**30,289,408**
Account receivables, net	**27,585,414**	**25,177,595**	**52,763,009**
Inventory	**-**	**952,475**	**952,475**
Prepayment and other receivables	**37,419,330**	**4,856,057**	**42,275,387**
Due from related parties	**-**	**196,556**	**196,556**
Properties under development	**15,257,530**	**-**	**15,257,530**
Investments carried at fair value through profit or loss (FVTPL)	**590,546,977**	**-**	**590,546,977**
Investment properties	**842,846,456**	**946,017,314**	**1,788,863,770**
TOTAL ASSETS	**1,531,752,384**	**989,392,728**	**2,521,145,112**
LIABILITIES			
Islamic financing	**833,907,492**	**-**	**833,907,492**
Accounts payable	**741,333**	**6,461,642**	**7,202,975**
Unearned rental income	**18,324,248**	**-**	**18,324,248**
Accrued expenses	**55,130,460**	**10,833,726**	**65,964,186**
Due to related parties	**-**	**1,546,506**	**1,546,506**
Employees' post-employment benefits	**-**	**2,842,780**	**2,842,780**
TOTAL LIABILITIES	**908,103,533**	**21,684,654**	**929,788,187**

Financial position	2019		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	24,624,549	19,966,634	44,591,183
Account receivables, net	36,532,037	22,958,345	59,490,382
Inventory	-	1,187,914	1,187,914
Prepayment and other receivables	26,227,701	3,048,408	29,276,109
Due from related parties	385,795	906,861	1,292,656
Properties under development	177,404,991	-	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	453,042,060	-	453,042,060
Investment properties	852,346,920	767,137,961	1,619,484,881
TOTAL ASSETS	1,570,564,053	815,206,123	2,385,770,176
LIABILITIES			
Islamic financing	685,076,029	-	685,076,029
Accounts payable	3,271,061	7,344,039	10,615,100
Unearned rental income	18,971,558	-	18,971,558
Accrued expenses	34,662,347	9,981,735	44,644,082
Due to related parties	-	1,165,927	1,165,927
Employees' post-employment benefits	-	1,732,608	1,732,608
TOTAL LIABILITIES	741,980,995	20,224,309	762,205,304

25- CHANGES IN ACCOUNTING ESTIMATE

During 2019, the Fund conducted a review of the useful life of building. Based on useful life of 50 years, the net effect of these changes on actual and expected depreciation expense, was is follow:

Impact of change in estimate	2020	For the year ended 31 December				Until the end of useful life
		2021	2022	2023	2024	
Decrease / (increase) in depreciation expense	11,027,573	11,027,573	11,027,573	11,027,573	11,027,573	265,020,833

26- SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Fund intends to adopt all the applicable standards and interpretations when these become effective. The Fund manager has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Fund.

27- CHANGES IN FUNDS TERMS AND CONDITIONS

There has been no significant change in the terms and conditions of the Fund as at year ended 31 December 2020.

28- IMPACT OF CORONAVIRUS (COVID-19) OUTBREAK AND THE GOING CONCERN

Further, the uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the fair value. The changing COVID-19 circumstances and the Government, business and customers responses could result in significant adjustments to the fair value in future financial years.

29- EVENTS AFTER THE REPORTING DATE

Dated March 1, 2021, the CMA announced the approval of amendments to the Investment Funds Regulations and Real Estate Investment Funds Regulations and Glossary of Defined Terms Used in the Regulation (the "Amendments") with an effective date of May 1, 2021. As of the date of approval of these financial statements, the Fund Manager is assessing the Amendments' impact on the Fund's financial statements.

30- COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2019 have been reclassified to conform with the presentation for the current year.

31- LAST VALUATION DAY

The last valuation day of the year was 31 December 2020.

32- APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Fund's Board of Directors on 28 March 2021 (Corresponding to 15 Sha'ban 1442H).