INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL-JAZIRA REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT

Opinion

We have audited the accompanying financial statements of Al-Jazira Reit Fund ("the Fund"), being managed by Aljazira Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement changes in net assets attributable to the unitholders and statement cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and its 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 of Certified Public accountants ("SOCPA").

Basis for Opinion

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the 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.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
AL-JAZIRA REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Al-Jazira REIT Fund owns a portfolio of investment properties comprising of commercial warehouses located in the Kingdom of Saudi Arabia. Investment properties, held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any impairment losses. 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.	For impairment of investment properties, we have carried out the following audit procedures: – We Obtained two valuation reports from different/ independent real estate evaluators 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; – 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; – 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 effect of impairment and was therefore recorded by the Fund's management; and – We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
AL-JAZIRA REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, the Fund'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, i.e. the Fund's Board of Directors are responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE UNITHOLDERS
AL-JAZIRA REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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.

- 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 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE UNITHOLDERS
AL MATHER REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine the 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.
Riyadh, Kingdom of Saudi Arabia

Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337
17 Shabaan 1442
30 March 2021

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

AL-JAZIRA REIT FUND
(PREVIOUSLY KNOWN AL-JAZIRA MAWTEN REIT FUND)
A REAL ESTATE INVESTMENT TRADED
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
WITH INDEPENDENT AUDITOR’S REPORT

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Amounts in SAR)

	Note	**As at 31 December 2020**	As at 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	**5**	**231,276**	1,436,360
Rent receivable, net	**6**	**-**	3,411,477
Investments carried at FVTPL	**8**	**476,611**	962,697
Prepayments and other balance receivables		**369,445**	24,718
Total current assets		**1,077,332**	5,835,252
Non-current assets			
Investment properties	**9**	**83,358,163**	106,017,868
Total non-current assets		**83,358,163**	106,017,868
Total assets		**84,435,495**	111,853,120
LIABILITIES			
Current liabilities			
Accrued fund management fees	**11**	**212,789**	237,739
Unearned rental income	**12**	**1,706,498**	1,618,192
Accrued custodian fees	**11**	**75,556**	25,556
Accrued expenses		**209,529**	304,365
Total current liabilities		**2,204,372**	2,185,852
Total liabilities		**2,204,372**	2,185,852
NET ASSETS ATTRIBUTE TO UNITHOLDERS		**82,231,123**	109,667,268
Units in issue *(numbers)*		**11,800,000**	11,800,000
Assets carrying value attribute for the unit		**6.96**	9.29
Assets fair value attribute for the unit	**13**	**6.96**	8.52

The accompanying notes 1 to 23 form an integral part of these financial statements.

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

	Note	**For the year ended 31 December 2020**	For the year ended 31 December 2019
INCOME			
Rental income from investment property	14	**6,074,367**	5,171,820
Profit from investments carried at FVTPL	10	**13,914**	82,023
Total income		**6,088,281**	5,253,843
EXPENSES			
Properties management expenses		**(106,060)**	(165,336)
Fund management fees	11	**(883,554)**	(986,430)
Other expenses	15	**(1,108,315)**	(428,575)
Expected credit loss expense	6	**(5,226,792)**	-
Total Expenses from operations		**(7,324,721)**	(1,580,341)
Cash generated from operation (loss) / operating income		**(1,236,440)**	3,673,502
Impairment in investment properties	9	**(21,971,791)**	(2,957,242)
Depreciation of investment properties	9	**(687,914)**	(952,675)
Net loss for the year		**(23,896,145)**	(236,415)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(23,896,145)**	(236,415)

The accompanying notes 1 to 23 form an integral part of these financial statements.

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

	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Changes from units' transactions:			
Issue of units		**-**	-
Net assets value attributable to the unitholders at the beginning of the year		**109,667,268**	115,803,683
Dividends during the year	19	**(3,540,000)**	(5,900,000)
Net comprehensive loss for the year		**(23,896,145)**	(236,415)
Net assets value attributable to the unitholders at the end of the year		**82,231,123**	109,667,268

The accompanying notes 1 to 23 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Amounts in SAR)

	Notes	31 December 2020	31 December 2019
OPERATING ACTIVITIES			
Net loss for the year		**(23,896,145)**	(236,415)
Adjustments to			
Realized gain from investments carried at FVTPL	8	**(6,559)**	(44,642)
Unrealized gain from investments carried at FVTPL	8	**(7,355)**	(37,381)
Investment properties depreciation	9	**687,914**	952,675
Impairment of investment properties	9	**21,971,791**	2,957,242
Expected credit loss provision	6	**5,226,792**	-
Changes in operating assets:			
Rent Receivable		**(1,815,315)**	(1,865,094)
Prepayments and other balance receivables		**(344,726)**	(24,718)
Fund management fees		**(24,950)**	(25,518)
Accrued expenses		**(94,837)**	(226,484)
Unearned rent receivables		**88,306**	75,374
Accrued custodian fees		**50,000**	-
Net cash generated from operating activities		**1,834,916**	1,525,039
INVESTING ACTIVITIES			
Proceeds from selling investments at FVTPL	8	**500,000**	1,244,642
Net cash generated from investing activities		**500,000**	1,244,642
FINANCING ACTIVITIES			
Dividends		**(3,540,000)**	(5,900,000)
Net cash used in financing activities		**(3,540,000)**	(5,900,000)
Net change in cash in bank balances during the year		**(1,205,084)**	(3,130,319)
Cash and cash equivalents at the beginning of the year		**1,436,360**	4,566,679
Cash in bank balances at the end of the year	5	**231,276**	1,436,360

The accompanying notes 1 to 23 form an integral part of these financial statements.

1) THE FUND AND ITS ACTIVITIES

The Al Jazira REIT Fund ("REIT") is a Shariah compliant real estate investment traded fund. The fund operates in accordance with the Real Estate Investment Funds Regulations and REIT Regulations issued by the Capital Market Authority (CMA). The fund is listed on ("Tadawul") and t traded on the Tadawul in accordance with its rules and regulations. The size of the fund is 118 million Saudi riyals, The REIT has a term of 99 years from the beginning of its operation.

Al-Jazirah Financial Markets Company ("Fund Manager"), a Saudi Closed Joint Stock Company registered under Commercial Registry No. 1010351313, authorized to a person by the Capital Market Authority with License No. 07076-37, runs a REIT.

The main investment objective of the fund is to invest in structurally developed real estate that generates periodic income and distributes a percentage of no less than 90% of the fund's net profits in cash to investors during the fund's operating period at least once annually during the third quarter of each year in the event that the rent collection is completed with the possibility of achieving Capital gains upon selling the fund's assets, and the fund will invest mainly in winery warehouses in Jeddah, and these are wholly owned by Al-Jazira Matwan for Income Properties Fund

2) REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA, and the instructions for real estate investment circulating funds issued by the Capital Market Authority which shows the requirements that all real estate funds traded in the Kingdom of Saudi Arabia must follow.

3) BASIS OF PRESENTATION

3-1) statement of compliance

These 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").

3-2) Basis of measurement and functional and presentation currency

These financial statements have been prepared in accordance with the modified historical cost principle by re-evaluating the investment carried at fair value through profit or loss using the accrual basis of accounting, as these financial statements are presented in Saudi riyals, which is the functional and presentation currency of the Fund.
As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the properties and equipment, investment properties, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

On 31 December 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation options and has 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) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

3) BASIS OF PRESENTATION (CONTINUED)

3-3) Critical accounting judgments, estimates and assumption

The preparation of the 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 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

The Fund Manager of the Fund has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund 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.

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 Fund manager of the REIT 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.

3) BASIS OF PRESENTATION (CONTINUED)

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.

4) SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents
Cash and cash equivalents consist of cash in current accounts with a local bank. Cash and cash equivalents are measured at amortized cost in the statement of assets and liabilities.

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.

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. The cost is amortized minus the residual value of the real estate investment over the 30-year useful life or the term of the fund, whichever is lower.

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.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

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 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.

Revenue Recognition

Rental income arising from operating leases on investment properties is recognized in accordance with the terms of lease contracts over the lease term on a straight-line basis.

Investing transactions

Investment transactions are recognized on the basis of the date of the transaction.

Management fees and other expenses

Management fees and other expenses are charged at rates within the limits mentioned in the fund terms and conditions. Management fees are calculated on a daily basis and paid on a quarterly basis.

Zakat

Zakat is an obligation on Unitholders and, accordingly, no provision for this obligation is included in these financial statements.

Dividends

The fund's policy is to distribute and pay no less than 90% of the Fund's net profit from collecting rents as annual dividends on a semi-annual basis. It does not include the profit generated from selling any investment properties.

Equity per unit

The net asset value of each unit is calculated by dividing the property rights of the owners of the units listed in the balance sheet by the number of units outstanding at the end of the year

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Financial assets	
Bank current account	Amortized cost
Trade receivables	Amortized cost
Investments carried at FVTPL	FVTPL
Prepayment and other receivables	Amortized cost

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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Fund has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. The Fund has no such investments.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The impairment requirements in IFRS 9 use more forward-looking information to establish expected credit losses - the "Expected Credit Loss Model". It replaces the "incurred loss model" in IAS 39. The instruments that fall within the scope of the new requirements include loans and other financial assets with a debt type measured at amortized cost and at FVOCI, and contract assets that are recognized and measured in accordance with the IFRS. Financial 15, loan obligations and some financial guarantee contracts (of the issuer) that are not measured at FVTPL.

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.

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment (continued)
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.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of default (continued)

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	
Accrued Fund management fees	Amortized cost
Unearned rental revenue	Amortized cost
Accrued custodian fees	Amortized cost

Derecognition

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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.

4) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

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) CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at banks	**231,276**	1,436,360
	231,276	1,436,360

6) RENT RECEIVABLE, NET

	31 December 2020	31 December 2019
Lease receivable	**5,226,792**	3,411,477
Provision for expected credit losses	**(5,226,792)**	-
	-	3,411,477

6-1 The movement for expected credit losses during the year is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	**-**	-
Charge during the year	**5,226,792**	-
Balance at the end of the year	**5,226,792**	-

		Overdue and impaired value				
Year	Net	**From 1 to 90 days**	**From 91 to 180 days**	**From 181 to 270 days**	**From 271 to 365 days**	**More than 366 Days**
31/12/2020	**5,226,792**	**163,756**	**491,269**	**491,269**	**491,269**	**3,589,229**
31/12/2019	3,411,477	491,269	491,269	491,269	491,269	1,446,401

7) ACCRUED FUND MANAGEMENT FEES AND OTHER

The fund pays the fund manager a management fee of 0.9% per annum of the net fair value of the fund's assets, calculated on a daily basis and paid on a quarterly basis. The fund also pays the fund manager administrative fees to cover direct expenses related to the fund's business, such as the actual costs related to preparing and printing bulletins, reports and notices to investors, remuneration for members of the board of directors, supervisory fees, external auditors, appraisers 'fees, and any other parties providing services to the fund and any exceptional expenses, with a maximum of 0, Annually 25% of the net fair value of the assets, and custody fees, up to a maximum of 0.1% per annum of the net fair value of the assets to be paid on a quarterly basis, and operating, maintenance and marketing fees of 5% annually of the rental income collected. The fund manager is entitled to a 5% performance fee, the positive difference between the sale price of any property owned by the fund and the purchase price.

8) INVESTMENTS AS FVTPL

As at 31 December 2020	**Fund Manager**	**No. of units**	**Cost**	**Market value**
ALJAZIRA SAUDI RIYAL MURABAHA	**Aljazira Capital Company**	**3,183**	**469,257**	**476,612**

As at 31 December 2020	**Fund Manager**	**No. of units**	**Cost**	**Market value**
ALJAZIRA SAUDI RIYAL MURABAHA	**Aljazira Capital Company**	6,259.91	925,316	962,697

8) INVESTMENTS AS FVTPL (CONTINUED)

the following is investment movement during the year:

	31 December 2020	31 December 2019
Balance beginning of the year	**962,697**	2,125,316
Sold during the year	**(500,000)**	(1,244,642)
Unrealized profit	**7,355**	37,381
Realized profits	**6,559**	44,642
Balance at the end of the year	**476,611**	962,697

9) INVESTMENTS PROPERTIES

	Land	**Building**	**2020**	**2019**
Cost				
Balance beginning of the year	**85,132,384**	**23,591,885**	**108,724,269**	111,681,511
Impairment (9-4)	**(25,367,347)**	**3,395,556**	**(21,971,791)**	(2,957,242)
Balance end of the year	**59,765,037**	**26,987,441**	**86,752,478**	108,724,269
Accumulated Depreciation				
Balance beginning of the year	**-**	**(2,706,401)**	**(2,706,401)**	(1,753,726)
Depreciation charge during the year	**-**	**(687,914)**	**(687,914)**	(952,675)
Balance end of the year	**-**	**(3,394,315)**	**(3,394,315)**	(2,706,401)
Net Book Value:				
Balance as at 31 December 2020	**59,765,037**	**23,593,126**	**83,358,163**	
Balance as at 31 December 2019	**85,132,384**	**20,885,484**		106,017,868

9-1 Real estate investments are represented in winery warehouses: It represents warehouses located on two lands, a northern block and a southern block located on King Faisal Road in Al-Wadi neighborhood, Jeddah.
9-2 All real estate is registered in the name of Alinma Investment ("the company"). The company holds these properties for the ownership of the usufruct of the fund and does not have any controlling interests and does not pose any risks to the investment properties.
9-3 The fund manager periodically reviews its investment properties to determine whether there is any indication of a decline in the value of assets. An impairment loss is considered at the amount that the carrying value of each investment property exceeds its recoverable value, which is higher than the fair value of the assets minus the cost of sale and value in use. According to the periodic evaluation reports provided by the independent evaluation experts of the Fund.

9-4 The impairment of the assets is as follows:

	31 December 2019			**31 December 2020**		
	Lands	**Buildings**	**Total**	**Lands**	**Buildings**	**Total**
Balance beginning of the year	4,392,151	1,926,338	6,318,489	**5,077,017**	**4,198,714**	**9,275,731**
Charged during the year	684,866	2,272,376	2,957,242	**25,367,347**	**-**	**25,367,347**
Refund during the year	-	-	-	**-**	**(3,395,556)**	**(3,395,556)**
Balance end of the year	5,077,017	4,198,714	9,275,731	**30,444,364**	**803,158**	**31,247,522**

10) PROFIT FROM INVESTMENTS AT FVTPL

	For the year ended 31 December 2020	For the year ended 31 December 2019
Realized gain from selling investments at FVTPL	**6,559**	44,642
Unrealized gain from remeasurement of investments at FVTPL	**7,355**	37,381
	13,914	82,023

11) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties to the fund include Al-Jazira Capital "Fund Manager", "Bank Al-Jazira" (a shareholder in Al-Jazira Capital) and other managed funds managed by the Fund's Board of Directors and Al-Inma Investment Company (Custodian).
In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund Board.

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**		**Balance receivable \ (payable)**	
		2020	2019	**31 December 2020**	31 December 2019
Al-Jazira Capital	Fund management fee	**(883,554)**	(986,430)	**(212,789)**	)237,739(
Bank AlJazira	Current account	**-**	-	**231,276**	1,436,360
Al-Inma Investment	Custodian fees	**(50,000)**	(50,000)	**(75,556)**	(25,556)
Aljazira Saudi riyal Murabaha	Investments	**13,954**	82,023	**476,612**	962,697
BOD members	Attendance allowance*	**(22,000)**	(23,868)	**(44,000)**	(22,000)

* Board attendance allowances are included in the financial position under Accrued expenses.

12) UNEARNED RENTAL REVENUE

	31 December 2020	**31 December 2019**
Balance beginning of the year	**1,618,192**	**1,542,818**
Rental revenue received during the year (note 14)	**(6,564,658)**	**(5,171,820)**
Rental revenue earned during the year	**6,652,964**	**5,247,194**
Balance at the end of the year	**1,706,498**	**1,618,192**

13) EFFECT OF NET ASSET VALUE IF 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, investment properties are carried at cost less accumulated depreciation and impairment losses, if any. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The fair value of real estate investments is determined by two valuers, namely, Century 21 Saudi Arabia and Nojoom Al Salam Real Estate Appraisal Company. The following is the valuation of real estate investments as of December 31:

As at 31 December 2020	**Century 21**	**Nojoom Al Salam**	**Average**
Investment properties	**83,398,000**	**83,318,325**	**83,358,163**
Total	**83,398,000**	**83,318,325**	**83,358,163**

As at 31 December 2019	Century 21	Nojoom Al Salam	Average
Investment properties	87,902,000	106,017,868	96,959,934
Total	87,902,000	106,017,868	96,959,934

The management used the average of the two evaluators for the purpose of disclosing the fair value of real estate investments and Leasehold contracts.

The investment properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using unobservable inputs, including the financial analysis, cost method income approach and discounted cash flows.

	31 December 2020	31 December 2019
Estimated fair value of investment properties and Leasehold contracts based on the average of the two valuers used	**83,358,163**	96,959,934
Less: carrying value investment properties	**(83,358,163)**	(106,017,868)
Estimated fair value decrease of book value	**-**	(9,057,934)
Units in issue (numbers)	**11,800,000**	11,800,000
Deduct share per unit from estimated fair value	**-**	(0.77)

Net asset attributable to unitholders:

	31 December 2020	31 December 2019
Net assets attributable to unitholders as per the financial statements before fair value adjustment	**105,329,954**	109,667,268
Estimated fair value deficit of book value	**(21,971,791)**	(9,057,934)
Net assets attributable to unitholders based on fair valuation of investment properties and Leasehold contracts	**83,358,163**	100,609,334

13) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

Net asset attributable to each unit:

	31 December 2020	31 December 2019
Book value per unit as per the financial statements before fair value adjustment	**6.96**	9.29
Additional value per unit based on fair value	**-**	(0.77)
Net assets attributable to each unit based on fair valuation	**6.96**	8.52

*All properties are registered in the name of Alinma Investment ("the company"). The company holds these properties for the ownership of the benefit of the fund and does not have any controlling interests and does not pose any risks to the real estate.

14) RENTAL INCOME

	Note	**31 December 2020**	31 December 2019
Investment properties rental revenue	12	**6,564,658**	**5,171,820**
Rental discount (*)	18	**(490,291)**	**-**
		6,074,367	5,171,820

(*) The fund manager gave a rental discount to some tenants during the ban period due to the Corona Covid 19 pandemic.

15) OTHER EXPENSES

	Note	**31 December 2020**	31 December 2019
Supervision charges	7	**277،500**	**220,000**
Professional fees		**35،000**	**35,000**
BOD fees	11	**22،000**	**23,868**
Custodian fees	11	**50،000**	**50,000**
Other		**723،815**	**99,707**
		1,108,315	428,575

16) 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.

16) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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	**31 December 2020**	31 December 2019
Cash and cash equivalents	5	**231,276**	1,436,360
Trade receivable		**-**	3,411,477

The management has conducted a review as required under IFRS 9 and based on the assessment, the management believes that there is no need to record impairment losses against the book value of cash and cash equivalents and the management has recorded impairment losses against rental receivables in the amount of 5, 2 million Saudi riyals.

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.

Maturity profiles

The table below shows the maturity of the Fund's significant assets and liabilities based on expected maturities:

	31 December 2020		
	Less than 1 year	**More than 1 year**	**Total**
Cash and cash equivalent	**231,276**	**-**	**231,276**
Investments carried at FVTPL	**476,612**	**-**	**476,612**
Right-of-use assets	**369,444**	**-**	**369,444**
Investment properties, net	**-**	**83,358,163**	**83,358,163**
Total assets	**1,077,332**	**83,358,163**	**84,435,495**
Accrued fund management fees	**212,789**	**-**	**212,789**
Unearned rental revenue	**1,706,498**	**-**	**1,706,498**
Accrued custodian fees	**75,556**	**-**	**75,556**
Accrued expenses	**209,529**	**-**	**209,529**
Total liabilities	**2,204,372**	**-**	**2,204,372**

22) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Maturity Profiles (continue)

	31 December 2019		
	Less than 1 year	**More than 1 year**	**Total**
Cash and cash equivalent	1,436,360	-	1,436,360
Rent receivable	3,411,477	-	3,411,477
Investments carried at FVTPL	962,697		962,697
Prepayments and other assets receivables	24,718	-	24,718
Investment properties, net	-	106,017,868	106,017,868
Total assets	5,835,252	106,017,868	111,853,120
Accrued fund management fees	237,739	-	237,739
Unearned rental revenue	1,618,192	-	1,618,192
Accrued custodian fees	25,556	-	25,556
Accrued expenses	304,365	-	304,365
Total liabilities	2,185,852	-	2,185,852

Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The fund does not have any significant exposure to currency risk as all of its monetary assets and liabilities are denominated in Saudi riyals.

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.

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.

Investments whose values are based on quoted market prices in active markets include level 2 and include active quoted equity and debt instruments. The Fund does not adjust the quoted price for these instruments.

The Fund classifies all of its financial assets with the exception of those stated at amortized cost, at fair value as Level 2.

17) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS.

Amendments
The following are a number of amendments to the standards issued that are effective as of this year, but do not have a material impact on the financial statements of the fund, with the exception of the below.

Amendments to the standards issued and applied that are effective from 1 January 2020

Amendments to standards	Description	Apply for years beginning on or after	Summary on the amendment
IAS 1 and IAS 8	Definition of materiality	1 January 2020	The amendments clarify that materiality will depend on the nature or volume of information, either individually or in combination with other information, in the context of the financial statements
IFRS 3	Business definition	1 January 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, inputs and an objective process that together contribute significantly to the ability to create outputs. Further, it demonstrates that work can exist without including all the inputs and processes needed to create the output
Conceptual framework for financial reporting	Amendments to the conceptual framework references in IFRSs, updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts	1 January 2020	The revised conceptual framework includes some new concepts, updated definitions, criteria for recognition of assets and liabilities, and clarifies some important concepts.
IFRS 7, IFRS 9 and IAS 39	Fix interest rate index	1 January 2020	A fundamental review and reform of key interest rate benchmarks is being undertaken globally. The IASB is involved in a two-stage process to revise its guidance to help a smoother transition away from the offered rate between banks.
IFRS 16	Decrease rent related to COVID-19	1 June 2020	The amendments provide an exemption for tenants from applying IFRS 16 guidance on accounting for rental contract modifications for rental deductions arising as a direct result of the COVID-19 pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020, and early application is permitted.

17) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

New and revised standards and interpretations that are not yet effective

The fund has not applied the following new and revised IFRS that were issued but not yet effective.

Amendments to standards	Description	Apply for years beginning on or after	Summary on the amendment
IFRS 16, 4, 7, 9 and IAS 39	Interest Rate Index Fix - Stage 2	1 January 2021	These amendments amend the specific hedge accounting requirements to allow hedge accounting to continue for the affected hedge during the period of uncertainty prior to modification of hedging items or hedging instruments affected by current interest rate standards as a result of standard reforms to ongoing interest rates. 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	Unfair contracts - the cost of completing the contract	1 January 2022	The amendments specify that the “cost of fulfilling” the contract includes “the costs that are directly related to the contract.” These amendments apply to contracts in which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 1, 9, 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022	IFRS 16: The amendment removes the reimbursement fee for leasehold improvements IFRS 9: The amendment clarifies that when applying the "10 percent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment must be applied prospectively to modifications and exchanges that occur on or after the date on which the entity first applies the amendment. IAS 41: The amendment eliminates the requirement of IAS 41 for entities to exclude tax cash flows when .measuring fair value
IAS 16	Property, plant and equipment: proceeds before Intended use	1 January 2022	The adjustments prohibit deducting from the cost of any item of property, plant and equipment any proceeds from the sale of items produced before that asset becomes available for use. In addition, the modifications also clarify the meaning of "testing "whether the asset is working properly
IFRS 3	An indication of the conceptual framework	1 January 2022	The amendment as a whole has been updated to IFRS 3 to refer to the conceptual framework for the year 2018 instead of the 1989 framework.

17) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)

New and revised standards and interpretations that are not yet effective (continued)

The fund has not applied the following new and revised IFRS that were issued but not yet effective.

Amendments to standards	Description	Apply for years beginning on or after	Summary on the amendment
IAS 1	Classification of current or non-current liabilities	1 January 2023	The amendment clarifies what is meant by the right to defer settlement, and that the right to postponement must be present at the end of the reporting period, and that this classification is not affected by the entity's likelihood of exercising its right to defer, and that only if the derivatives are included in a transferable obligation that is itself a rights instrument. Ownership and the terms of compliance will not affect its rating.
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between the investor and the partner or joint venture	Not apply	Amendments to IFRS 10 and IAS 28 deal with situations in which a sale or contribution to assets is between an investor and an associate or joint venture. Specifically, the amendments provide that profits or losses result from losing control of a subsidiary.

The application of these interpretations and amendments may not have any material impact on the financial statements of the fund in the initial application period.

18) THE IMPACT OF THE CORONAVIRUS (Covid-19) OUTBREAK

The Fund 's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Fund is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak have caused to its operations and financial performance. As of 31 December 2020, the Fund has recorded impairment loss on account of investment properties amounting to SR 22 million. Further, the Fund has also assessed the ability of its lessees to pay the rents relating to the period impacted by COVID-19 outbreak. As a result, the Fund has given discounts to its lessees against the lease rentals amounting to SR 490 thousand (note 14).

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Fund considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the fund.

19) DIVIDEND DISTRIBUTION

The Fund Board of Directors approved the distribution of profits for the full year period (the second half of 2019 and the first half of 2020) at an amount of 0.30 Saudi riyals for each unit, totaling 3,540,000 Saudi riyals for unit owners. It was paid on 29 October 2019.

20) SUBSEQUENT EVENTS

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.

21) SEGMENT INFORMATION

The fund invests in two investment properties in the Kingdom of Saudi Arabia. Since the fund invests in one segment and one country, there was no segment information presentation.

22) LAST VALUATION DAY

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

23) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 16 Shabaan 1442 corresponding to 29 March 2021.