

AL-MAATHAR REIT FUND
A REAL ESTATE INVESTMENT TRADED- CLOSED ENDED FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH INDEPENDENT AUDITOR'S REPORT

AL-MAATHAR REIT FUND
A Real Estate Investment Traded – Closed Ended Fund
Financial Statements
For the year ended 31 December 2019
with the Independent Auditor's Report

	Page
Independent auditor's report	-
Statement of financial position	1
Statement of comprehensive income	2
Statement of changes in net assets attributable to unit holders	3
Statement of cash flows	4
Notes to the financial statements	6-20



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL MATHER REIT FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF FINANCIAL STATEMENT

Opinion

We have audited the accompanying financial statements of Al Mather REIT Fund ("the Fund"), being managed by Osool & Bakheet Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2019 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 2019 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 MATHER REIT FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT 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
<p>Al Mather REIT Fund owns a portfolio of investment properties comprising of commercial building located in the Kingdom of Saudi Arabia.</p> <p>Investment properties, held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> - We Obtained two valuation reports from different/ independent real estate evaluators for each investment properties as at 31 December 2019 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 10 to the external valuers' reports.



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**TO THE UNITHOLDERS
AL MATHER REIT FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT 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 2019 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.



Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITORS' REPORT (CONTINUED)

**TO THE UNITHOLDERS
AL MATHER REIT FUND
(MANAGED BY OSOOL & BAKHEET INVESTMENT 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 OSOOL & BAKHEET INVESTMENT 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



22 March 2020
27 Rajab 1441

AL-MAATHAR REIT FUND

A Real Estate Investment Traded - Closed Ended Fund

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Amounts in SAR)

	Note	31 December 2019	31 December 2018
<u>ASSETS</u>			
Cash and cash equivalents	7	43,635,850	34,254,259
Rent receivable		16,120,469	25,825,486
Prepayments and other assets	8	1,881,651	2,968,135
Benefit Contracts, net	9	8,041,114	9,447,714
Right-of-use assets	6	6,371,203	-
Investment properties	10	570,526,130	563,179,472
Total assets		646,576,417	635,675,066
<u>LIABILITIES</u>			
Accrued expenses and other liabilities	11	3,434,116	2,428,941
Unearned rental income		17,513,557	19,733,430
Management accrual fees and other	12	869,174	813,709
Lease liability on right of use assets	6	6,058,810	-
Islamic financing	13	22,304,259	-
Zakat provision	17	1,576,847	-
Total liabilities		51,756,763	22,976,080
NET ASSETS VALUE		594,819,654	612,698,986
Units in issue (numbers)		61,370,000	61,370,000
PER UNIT VALUE		9.69	9.98
PER UNIT FAIR VALUE	10	9.82	10.03

The accompanying notes 1 to 25 form an integral part of these financial statements.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Amounts in SAR)

	Note	31 December 2019	31 December 2018
<u>INCOME</u>			
Rental income	14	53,293,385	52,303,764
Commissions income	7	272,036	314,835
Other revenues		9,219	954
Total income		53,574,640	52,619,553
<u>EXPENSES</u>			
Benefit contract rent expense		(1,120,523)	(1,280,762)
Properties management expenses		(2,707,125)	(2,225,748)
Fund management fees and other		(3,083,702)	(3,621,835)
Custodial fee		(210,963)	(91,862)
Loan profit expenses		(478,750)	-
Lease financing expenses		(443,284)	-
Other expenses	15	(5,866,302)	(3,654,280)
Total Expenses from operations		(13,910,649)	(10,874,487)
Total income from operation		39,663,991	41,745,066
Impairment in investment property	10	(3,398,819)	(24,500,409)
Impairment in benefits contract	9	(277,317)	-
Investment property depreciation	10	(11,863,363)	(11,700,074)
Benefit contract amortizations	9	(1,150,177)	(1,148,776)
Net income for the year before zakat		22,974,315	4,395,807
Zakat charge during the year	17	(1,576,847)	-
Net income for the year after zakat		21,397,468	4,395,807
Other comprehensive income		-	-
Total comprehensive income for the year		21,397,468	4,395,807

The accompanying notes 1 to 25 form an integral part of these financial statements.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2019

(Amounts in SAR)

	Note	2019	2018
Net assets value attributable to the Unitholders at the beginning of the year		612,698,986	624,259,379
Changes from units' transactions:			
Dividends paid during the year	20	(39,276,800)	(15,956,200)
Total comprehensive income for the year		21,397,468	4,395,807
Net assets value attributable to the unitholders at the end of the year		594,819,654	612,698,986

The accompanying notes 1 to 25 form an integral part of these financial statements.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

(Amounts in SAR)

	31 December 2019	31 December 2018
OPERATING ACTIVITIES		
Net income for the year before zakat	22,974,315	4,395,807
<i>Adjustments to</i>		
Investment properties depreciation	11,863,363	11,700,074
Benefit Contracts Amortizations	1,150,177	1,148,776
Impairment in investment properties	3,398,819	24,500,409
Impairment in benefits contracts	277,317	-
Right-of-use assets depreciation	1,120,523	-
Finance cost of lease liability	443,284	-
	41,227,798	41,745,066
Changes in operating assets:		
Rent Receivable	9,705,019	(8,804,967)
Prepayments and other assets	385,283	19,442,388
Accrued expenses and other payable	1,005,175	(3,586,932)
Unearned rental income	(2,219,873)	(1,447,690)
Management accrual fees and other	55,465	(1,061,912)
Other payables	-	(10,052,500)
Net cash from operating activities	50,158,867	36,233,453
INVESTING ACTIVITIES		
Purchase of investment property	(22,608,840)	(541,135)
Additions on benefits contract	(20,895)	-
Net cash used in investing activities	(22,629,735)	(541,135)
FINANCING ACTIVITIES		
Islamic financing	22,304,259	-
Payment of lease liability	(1,175,000)	-
Dividends paid	(39,276,800)	(15,956,200)
Net cash used in financing activities	(18,147,541)	(15,956,200)
Change in cash and cash equivalents	9,381,591	19,736,118
Cash and cash equivalents at the beginning of the year	34,254,259	14,518,141
Cash and cash equivalents at the end of the year	43,635,850	34,254,259

The accompanying notes 1 to 25 form an integral part of these financial statements.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

1) THE FUND AND ITS ACTIVITIES

Al-Maathar REIT (the “REIT” or the “Fund”) is a closed-ended real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the CMA. The REIT is listed on the Tadawul and units of the REIT shall be on traded on the Tadawul in accordance with its rules and regulations. The Capital of the REIT is SAR 613,700,000. The REIT has a term of 99 years, which is extendable in the discretion of the Fund Manager with the prior approval of the CMA.

The REIT is managed by Osool & Bakheet investment Company (the “Fund Manager”), a Saudi Closed Joint Stock Company with Saudi Arabian commercial registration no. 1010219805, Dated 02/05/1427H (corresponding to 29/05/2006 G) and an Authorized Person licensed by the CMA under license no. 08126-07 to engage in the business of dealing as an agent, management and custody in the securities business.

The Fund aims to invest in real estate assets that are capable of achieving periodic rental income within the Kingdom of Saudi Arabia in accordance with the Fund's investment strategy set out in the Fund's terms and conditions and distribution of at least 90% of the Fund's net profits annually. The Fund invests in secondary assets in real estate development projects in accordance with the limitations set out in the Fund's strategy in Article (f) of the Fund's terms and conditions.

The Fund commenced operations on 9 July 2017 (15 Shawwal 1438H). The ownership of real estate investments and benefits contracts was transferred in August of the same year.

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) pursuant to Resolution No. 1-193-2006 dated on Jumada II 1427H (corresponding to 15 July 2006) according to the CMA Regulation Issued by Royal Decree No. (M / 30) dated 2/6/1424 AH (corresponding to 07/31/2003), and the instructions for real estate investment circulating funds issued by the Board of the Capital Market Authority pursuant to Resolution No. 6 - 130 - 2016 and date 23/1 1438 AH (corresponding to 10/24/2016 AD) according to CMA regulation issued by Royal Decree No. (M / 30) dated 2/6/1424 AH (corresponding to 07/31/2003).

3) BASIS OF PRESENTATION

a- statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization of Certified Public accountants. In accordance with the CMA's circular in 16 October 2016, the Fund should apply the cost model for the measurement of property, plant and equipment, real estate investments and intangible assets when applying the three-year IFRS starting from the date of application of IFRS.

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

b-Basis of measurement

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

3) BASIS OF PRESENTATION(Continued)

c-functional and presentation currency

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is functional currency of the fund. All financial information has been rounded off to the nearest Saudi Riyal, unless otherwise mentioned.

4) 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.

4.1) 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.

4.2) 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.

4.3) 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.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

4) CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)**4.4) *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.

4.5) *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.

5) SIGNIFICANT ACCOUNTING POLICIES**a) *Investment properties***

investment properties consist of Real estate that are held for capital appreciation and/or rental yields instead of selling them in the context of regular business or uses in production or for administrative purposes. These properties are not used to generate sales revenue through normal business operations. Real estate investments are recognized at cost and the acquisition cost is measured at the fair value of the acquired / transferred assets. All development costs that are directly attributable to the acquisition / development of real estate are capitalized to arrive at the total cost.

The derecognition of real estate investments is canceled in the event of sale or dispensation when it is transferred to development property. Any gain or loss resulting from the derecognition of the property is recognized immediately in the statement of comprehensive income.

Real estate investments are held for the purpose of generating revenue from leasing and / or increasing the capital value, at cost, minus accumulated depreciation and any impairment losses.

Gains or losses from the sale or disposal of investment properties that represent the difference between the net proceeds from the sale and the book value are included in the statement of comprehensive income in the period in which the sale / disposal is made, except for those relating to sale and lease arrangements.

The Fund have the following policy of Depreciation:

Buildings	3.3% - 5%
Furniture's	15%

b) *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.

c) *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, which are available to the Fund without any restrictions.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Benefits Contracts

Benefits contracts are recorded at cost less accumulated amortization and any impairment losses. Depreciation is calculated using the straight-line method over the year of the contract.

e) Revenue recognition

The following are specific recognition criteria that must also be met before recognition of revenue:

Rental Revenue

The Primary Fund's revenues arise from investment property rentals and Benefits Contracts rental. Revenue is recognized to the extent that the performance obligations relating to customer contracts are met by the Fund. Revenue is measured on the basis of the terms specified in the contract with the customer and the amounts collected on behalf of a third party are excluded. The Fund recognizes revenue when the control over the good or the product or service is transferred to a customer, and the special conditions for recognition of revenue must be recognized before the revenue recognition process.

Commission income

Commission income from time deposits is recognized on an accrual basis in the statement of comprehensive income.

f) Accrued expenses and other liability

Initial recognition of accrued expenses and other payables is recognized at fair value and is subsequently measured at amortized cost using the effective interest rate method.

Provisions are recognized when the Fund has obligations (legal or constructive) arising from past events and the payment of the obligation is likely to result in an outflow of economic benefits and the value of which can be reliably measured. Provisions is not recognised for future operating loss.

g) Dividend distribution

The fund has a policy of distributing at least 90% of net income as dividends.

h) Net assets value

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the REIT by the number of units in issue at the year-end.

i) Zakat

Zakat is calculated according to the regulations of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia ("GAZT") and the Zakat provision for the year is included in Comprehensive income statement. Any differences between the component provision and the final assessment are recorded in the year in which the final assessment is approved.

j) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized (if applicable) for the amount by which the carrying amount of the asset exceeds its recoverable amount.

K) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments

-Measurement methods

Initial recognition and measurement

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

At initial recognition, the Fund measures a financial asset or financial liability at its fair value, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost, which results in an accounting loss being recognized in the statement of comprehensive income when an asset is newly originated.

All regular-way purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Fund commits to purchase or sell the assets. Regular-way purchases or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place. All other financial assets and liabilities are initially recognised on the trade date at which the fund becomes a party to the contractual provision of the instrument.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit (SPPP), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 3.3. Profit earned from these financial assets is recognized in the statement of comprehensive income using the effective commission rate method.

Impairment of financial assets

The fund assesses on a forward-looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The Fund recognizes a loss allowance for such losses at each reporting date.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets are assessed for impairment when it is established that there is objective evidence that the fund may not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the estimated recoverable amount. The estimated recoverable amount is the present value of expected cash flows discounted based on the original effective yield rate.

Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

Financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Loans and facilities

After initial recognition, profit bearing loans and Islamic financing are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through amortization.

5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

Derecognition of financial liabilities

A financial liability is derecognized when the obligation is discharged or expires. When an existing financial liability of another lender is replaced by substantially different terms or the terms of the present liabilities are substantially modified, such an exchange or modification is treated as an exclusion of the original liability and recognition of a new liability and the difference in the amounts included in the statement of Comprehensive income.

6) NEW STANDARDS EFFECTIVE FROM 1 JANUARY 2019.

The Fund adopted IFRS 16 Leases as of January 1, 2019.

IFRS 16 introduces a single model of budget-based leasing for tenants that the lessee recognizes the right to use, which represents his right to use the underlying assets and lease obligations that represent his obligation to make the lease payments. There are exceptions to learn about short term lease contracts and low-value items. Lessor accounting remains the same as the current standard, meaning that the lessor continues - Classify lease contracts as finance or operating lease contracts.

IFRS 16 replaces the instructions of existing leases, including IAS 17 "Leases" and interpretation and International No. 4 "Determine if the arrangement involves a lease", and the interpretation of the former International Interpretation Committee No. 15 "Operating lease contracts - and incentives" and the interpretation of the previous International Interpretations Committee No. 27" Evaluation of the substance of transactions that take the legal form of the lease. "

A) The recognized amendment to the application of IFRS 16:

The Fund adopted IFRS 16 on January 1, 2019, using the revised application methodology retroactively and thus the cumulative effect of the adoption of IFRS 16 (as an adjustment to the opening balance) is recognized as advance payments without any impact on the balance Retained earnings on January 1, 2019, without re-adjusting the comparison numbers.

B) The recognized amendment to IFRS 16 implementation

The effect of adopting IFRS 16 on the statement of assets and liabilities as at 1 January 2019 is as follows:

	31 December 2018	increase/decrease	1 January 2019
Right-of-use assets	-	7,491,726	7,491,726
Prepayments	701,201	(701,201)	-
Lease Liability	-	6,790,525	6,790,525

C) Accounting policy

The assets and liability of the new operating lease is recognized for office buildings. Each lease payment is allocated between the liability and the financing cost. The cost of financing is charged to the initial income statement over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets of the right to use are amortized over the shorter of the useful life of the asset and the lease term on a straight-line basis.

AL-MAATHAR REIT FUND
A Real Estate Investment Traded – Closed Ended Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019
(Amounts in SAR)

6) SIGNIFICANT STANDARDS EFFECTIVE FROM 1 JANUARY 2019 (CONTINUED).

IFRS 16 - Leases (continued)

C) Accounting policy (continued)

Assets and liabilities arising from the lease are initially measured at their present value.

1. The right to use assets are measured at cost which includes:

- The initial measurement of lease commitments.
- Any rental payments made on or before the start date
- Less any rent incentives received.
- Any initial direct costs, and
- Restoration costs.

2. Lease liability include net present value of the following rental payments:

- Fixed payments (including immaterial payments)
- Less rent incentives receivable. A variable lease based on an index or price.
- Amounts expected to be paid by the lessee under residual value guarantees.
- Exercise price of the purchase option If the tenant is reasonably sure of exercising this option, the
- Pay fines to terminate the lease, if the term of the lease reflects the tenant who exercises this option.

Lease payments are deducted using the additional borrowing rate, which the tenant has to pay to borrow funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments relating to short term leases and low value asset lease contracts are recognized as an expense in the interim income statement. Short-term leases are leases of 12 months or less.

Low-value assets include small items related to office equipment.

Rental terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Lease agreements do not impose any covenants, but leases cannot be used as collateral for borrowing purposes.

The asset balance of the usage right and the depreciation charge is as follows:

	31 December 2019	31 December 2018
Cost		
Balance as of 1 January 2019	7,491,726	-
Additions	-	-
Balance as of 31 December 2019	7,491,726	-
Accumulated Depreciation		
Balance as of 1 January 2019	-	-
Amortization for the period	(1,120,523)	-
Balance as of 31 December 2019	(1,120,523)	-
Book Value as of 31 December 2019	6,371,203	-
	31 December 2019	31 December 2018
Lease liability on right-of-use assets non-current portion	5,634,310	-
Lease liability on right-of-use assets current portion	424,500	-
Balance as of 31 December 2019	6,058,810	-

The total interest expense on the recognized lease obligations for the period ended 31 December 2019 is SAR 443,284 (31 December 2018: NIL)

The additional borrowing for the weighted average applied to the lease commitments as at 31 December 2019 was 7%.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

7) CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash at banks	12,635,850	4,254,259
Time deposit *	31,000,000	30,000,000
	43,635,850	34,254,259

* The amount represents Islamic Murabaha with Saudi Faransi and Samba Bank. The deposit is placed for a period ranging from one day to three months and earn special commission at a rate of 3.25% per annum.

8) PREPAYMENTS AND OTHER ASSETS

	31 December 2019	31 December 2018
VAT receivable	813,901	534,594
Insurance	607,511	518,492
Prepayment expenses	125,867	99,243
Income of commissions due	105,298	40,625
Operational custom	32,205	22,425
Amounts received with previous owners	-	997,651
Prepaid rents	-	701,201
Other	196,869	53,904
	1,881,651	2,968,135

9) BENEFIT CONTRACTS, NET

The benefit contracts are as follows:

	31 December 2019	31 December 2018
Cost of purchasing benefit contracts	9,447,714	10,596,490
Additions	20,895	-
Accumulated amortization	(1,150,178)	(1,148,776)
Impairment	(277,317)	-
	8,041,114	9,447,714

The Fund has an agreement to transfer benefit contracts concluded with Zawya Al Ma'athar on 15 March 2017 to enter on 15 August 2017. Benefit contracts consist of the following:

- Alrabee benefit: is a commercial property located in King Abdulaziz Road in the Alrabee district of Riyadh and the cost of the purchase of the benefit amount of 1,483,659 Saudi riyals and Amortized over 5 years.
- Al-Quds benefit: is a commercial office property located in King Abdullah Bin Abdul Aziz Road in Al-Quds district in Riyadh. The cost of purchasing the benefit is SAR 2,243,693 and is amortized over 10 years.
- Wadi Laban benefit: is a residential commercial property located in the Shafa road in Dhahra Laban district in Riyadh. The cost of purchasing the benefit amounts to SR 1,375,978 and is amortized over 10 years.
- Aldabab benefit: is a commercial office located in Imam Abdullah bin Faisal Road in Almurba'a district of the city of Riyadh and the cost of the purchase of the benefit amount of 5,927,493 Saudi riyals and is amortized over 15 years.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

(Amounts in SAR)

10) INVESTMENTS PROPERTIES

This represents eight properties; as following:

- Al Maathar is a commercial, residential and office property located in Prince Turki Bin Abdul Aziz Al Awal Road in Al Ma'ather. This property is located in Riyadh
- Rabee: is a commercial property "hotel units" located in the road of Prince Saud bin Mohammed bin Muqrin in the rabee district. This property is located in Riyadh.
- Mohammedia: is a commercial and office property located on the road of King Fahd bin Abdulaziz in the upper district. This property is located in Riyadh.
- Takhsusi: is a commercial property located in Al-Takhasusi Street in Al-Maather district. This property is located in Riyadh.
- Alsahafa 1: is a commercial office located in Olaya street in Alsahafa district, located in the Riyadh.
- Alsahafa 2: is a office property located in Olaya street in the Alsahafa district. The property is located in Riyadh.
- Alhair Warehouse: is a warehouse, located in the Msan'e district in Riyadh.
- Al-Sulai warehouse: is a warehouse, located in Al-Khattab Street in Al-Sulai district in Riyadh.
- Tolan Hotel Suites: is a hotel suite and is located in Al Aqrabiyah neighborhood of Al Khobar.

	Land	Building	Furnitures	Total 2019	Total 2018
Cost					
Balance Beginning of the year	274,368,142	296,113,824	8,743,937	579,225,903	603,185,177
Additions	8,702,023	13,756,054	150,763	22,608,840	541,135
Impairment	(2,461,146)	(937,673)	-	(3,398,819)	(24,500,409)
Balance Ending of the year	280,609,019	308,932,205	8,894,700	598,435,924	579,225,903

Accumulated Depreciation

Balance Beginning of the year	-	14,243,115	1,803,316	16,046,431	4,346,357
Additions	-	10,548,654	1,314,709	11,863,363	11,700,074
Balance Ending of the year	-	24,791,769	3,118,025	27,909,794	16,046,431

Net Book Value:

Balance 31 December 2019	280,609,019	284,140,436	5,776,176	570,526,130	-
Balance 31 December 2018	274,368,142	281,870,709	6,940,621	-	563,179,472

* There is one collateral property in exchange for credit facilities (Note13).

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

10) INVESTMENTS PROPERTIES (CONTINUED).**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 the investment properties and benefits contracts are determined by two selected appraisers **Areeb Company, Valustrat Company**. The valuation of the investment properties, Benefits contracts are as follows:

2019	Areeb Company	Valustrat Company	Average
Investment properties	574,678,990	577,114,956	575,896,973
Benefits Contracts	6,865,160	14,250,000	10,557,580
Total	581,544,150	591,364,956	586,454,553
2018	Areeb Company	Valustrat Company	Average
Investment properties	567,775,000	560,558,000	564,166,500
Benefits Contracts	8,010,647	114,998,000	11,504,324
Total	575,785,647	575,556,000	575,670,824

The management used the average of the two evaluators for the purpose of disclosing the fair value of real estate investments and benefits 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. The following is an analysis of the fair value of real estate investments against cost.

AL-MAATHAR REIT FUND
A Real Estate Investment Traded – Closed Ended Fund
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019
(Amounts in SAR)

10) INVESTMENTS PROPERTIES(CONTINUED)

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	586,454,553	575,670,824
Less: the carrying value of investment properties	(570,526,130)	(563,179,472)
Benefit Contracts	(8,041,114)	(9,447,714)
Estimated fair value increase (Decrease) of book value	7,887,309	3,043,638
Units in issue (numbers)	61,370,000	61,370,000
Additional value per unit based on fair value	0.13	0.05

Net asset attributable to unitholders:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Net assets attributable to unitholders as per the financial statements before fair value adjustment	594,819,654	612,698,986
Estimated fair value increase of book value	7,887,309	3,043,638
Net assets attributable to unitholders based on fair valuation of investment properties and benefit contracts	602,706,963	615,742,624

Net asset attributable to each unit:

	<u>31 December 2019</u>	<u>31 December 2018</u>
Book value per unit as per the financial statements before fair value adjustment	9.69	9.98
Additional value per unit based on fair value	0.13	0.05
Net assets attributable to each unit based on fair valuation	9.82	10.03

*All properties are held in the name of Baitk Alhfd Real-Estate 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.

11) ACCRUED EXPENSES AND OTHER LIABILITY

	<u>31 December 2019</u>	<u>31 December 2018</u>
Refundable Deposit – Customer	1,980,787	2,055,306
Accrued properties management expenses	674,759	-
Accruals to previous owners	334,959	-
Accruals to suppliers	249,671	292,407
Allowance to attend the members of the BOD	48,000	54,000
VAT payable	-	11,393
Other	145,940	349,879
	3,434,116	2,428,941

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

12) MANAGEMENT ACCRUAL FEES AND OTHER

Management accrual fees and other is following:

- MANAGEMENT FEE, OTHER EXPENSES

The Fund Manager charges the Fund with a management fee of 0.50% per annum of the total asset value of the Fund, calculated on a daily basis and payable on a quarterly basis. The Fund Manager shall also recover from the Fund any other expenses incurred on behalf of the Fund. Real estate management fees which do not exceed 5% of the total rental income collected from the relevant property. Payment shall be made on a semi-annual basis. The Fund shall bear all fees and expenses related to the activities and investments of the Fund and shall incur expenses and fees resulting from transactions and services provided by third parties such as legal services Consultants and real estate consultants and any other professional, technical or technical services. These costs shall not exceed 1% of the total value of the Fund's assets annually.

- 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.

13) ISLAMIC FINANCING

The Fund obtained credit facilities (Tawaruq) from local banks in the form of long-term loans to finance the purchase of Tolan real estate in Al Khobar, where credit facilities limits amounted to 22.3 million Saudi riyals. These facilities carry commissions according to the prevailing rates in the local market. These loans were granted are secured by a collateral of one of the Fund's properties.

14) RENTAL INCOME

	31 December 2019	31 December 2018
Rental income	50,297,838	49,211,434
Income from benefit contracts	2,995,547	3,092,330
	<u>53,293,385</u>	<u>52,303,764</u>

15) OTHER EXPENSES

	31 December 2019	31 December 2018
Maintenance and cleaning	3,345,480	2,498,713
Rent receivable provision	1,000,000	-
Tadawul and Edaa center	785,227	611,986
Professional evaluation expenses, Professional fees	512,083	418,545
Allowance to attend the members of the BOD	57,000	-
Property insurance	143,751	-
Other	22,761	125,036
	<u>5,866,302</u>	<u>3,654,280</u>

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

16) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include “Osool & Bakheet Company” being the Fund Manager, Madad Alkhair for real estate” being the Management properties and zawyat alma’athar. for real estate.

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	
		2019	2018	31 December 2019	31 December 2018
Osool & Bakheet Company	Fund management fee and other*	4,302,963	5,348,870	(869,174)	(813,709)
zawyat alma’athar. for real estate – unitholder and Board member (previous owner)	Takhasusi Real estate development	-	3,626,076	(334,959)	881,696
Madad Alkhair for real estate	Management property	2,201,304	2,882,326	(674,759)	115,682
Board of Directors	Attendance allowance*	57,000	54,000	(48,000)	(54,000)

* Board attendance allowances are included in the financial position under other Accruals.

17) Zakat

Zakat base as follows:

	31 December 2019
Net Adjusted Income	27,650,451
Add:	
Unit Net Value (beginning)	612,698,986
Provisions	24,500,409
Lease liability o	6,058,809
Loans	7,271,800
Deduct:	
Dividends paid	(39,276,800)
Real estate investments	(570,526,130)
Right-of-use assets	(6,371,203)
Zakat base	62,006,323
Zakat on net Adjusted Income	691,261
Zakat on remaining Zakat base	885,586
Total Zakat	1,576,847

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**

(Amounts in SAR)

17) Zakat (continued)

The Fund registered with the General Authority of Zakat and Tax; Zakat return was not submitted until the date of preparing the financial statements. The first filling will be for the year ended 31 December 2019.

Zakat provision movement is as follows:

	<u>31 December 2019</u>
1 January	-
Provided during the year	<u>1,576,847</u>
31 December	<u>1,576,847</u>

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Credit risk**

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 is placed with a reputable financial institution.

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

	Notes	<u>31 December 2019</u>	<u>31 December 2018</u>
Cash and cash equivalents	7	43,635,850	34,254,259
Rent receivable		16,120,469	25,825,486

Credit risk on Cash and cash equivalents, and Rent receivable is limited as:

- Cash and cash equivalents, included short term deposits are held with banks with sound credit ratings from BBB- and above
- The management has conducted a review as required under IFRS 9 and based on assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents Rent receivable are carried at net of impairment.

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities. The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise.

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)***Maturity Profiles***

The table below summarizes the maturity profile of significant assets and liabilities of the Fund based on expected maturities:

	31 December 2019		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	43,635,850	-	43,635,850
Rent receivable	16,120,469	-	16,120,469
Prepayments and other assets	1,881,651	-	1,881,651
Benefit Contracts, net	8,041,114	-	8,041,114
Right-of-use assets	-	6,371,203	6,371,203
Investment properties	-	570,526,130	570,526,130
TOTAL ASSETS	69,679,084	576,897,333	646,576,417
Accrued expenses and other liabilities	3,434,116	-	3,434,116
Unearned rental income	17,513,557	-	17,513,557
Management accrual fees and other	869,174	-	869,174
Lease liability on right of use assets	424,500	5,634,310	6,058,810
Islamic financing	-	22,304,259	22,304,259
Zakat provision	1,576,847	-	1,576,847
TOTAL LIABILITIES	23,818,194	27,938,569	807,762,102

	31 December 2018		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	34,254,259	-	34,254,259
Rent receivable	25,825,486	-	25,825,486
Prepayments and other assets	2,968,135	-	2,968,135
Benefit Contracts, net	9,447,714	-	9,447,714
Right-of-use assets	-	-	-
Investment properties	-	563,179,472	563,179,472
TOTAL ASSETS	72,495,594	563,179,472	635,675,066
Accrued expenses and other liabilities	2,428,941	-	2,428,941
Unearned rental income	19,733,430	-	19,733,430
Management accrual fees and other	813,709	-	813,709
Lease liability on right of use assets	-	-	-
Islamic financing	-	-	-
Zakat provision	-	-	-
TOTAL LIABILITIES	22,976,080	-	22,976,080

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.

19) FAIR VALUE OF FINANCIAL INSTRUMENTS

AL-MAATHAR REIT FUND

A Real Estate Investment Traded – Closed Ended Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

(Amounts in SAR)

Fair value is the amount by which an asset is exchanged or a liability settled between willing parties in an equal condition. The financial instruments of the Fund consist of financial assets and liabilities. The financial assets of the Fund consist of cash and cash equivalents, receivable leases, net benefit contracts and other receivables. Financial liabilities consist of accrued expenses, other credit balances and unearned rental income.

For investments traded in an active market, fair value is determined by reference to quoted market prices. The fair values of financial assets and liabilities are not materially different from their carrying values.

20) DIVIDEND DISTRIBUTION

In accordance with the terms and conditions of the Fund. The Fund aims to distribute annual profits at least 90% of net income. the Fund's Board approved to distribute dividends with regards to the period ended 31 December 2018 to SAR 0.64 per unit totalling SAR 39,276,800 to its unitholders. The same was paid.

21) CHANGES IN FUNDS TERMS AND CONDITIONS

During the year the Fund has reviewed its terms and conditions in which the Fund has reviewed its Management fee from 0.50 percent of the Net Assets Value (NAV) to a 0.50 percent of the Total Assets Value , adding an endeavour expense so that the Fund pays 2.5% of the value of the acquisition of real estate Calculated and paid upon emptying for the benefit of the real estate broker, as well as increasing the fees of the evaluators so that they do not exceed 300 thousand Saudi riyals.

22) SUBSEQUENT EVENTS

The Fund announced the conclusion of the agreement to purchase the real estate of Al Nokhba Educational schools, on January 22, 2020 (conditional on obtaining the necessary approvals from the concerned authority and completing the statutory procedures). Where the acquisition value will reach 31,000,000 million Saudi riyals and the transaction will be funded through a credit facility agreement in accordance with Islamic law. The Fund pledged the title deed of two properties, Alsaahafa 1 real estate and Alsaahafa 2 real estate, to Al-Rajhi Banking and Investment Corporation on February 6, 2020, as a guarantee of credit facilities. On February 24, 2020 the Fund announced the completion of the acquisition of the property and its full lease with the seller, Al-Maaref Creative Educational Company, with a net binding contract of all expenses, for a period of 15 years, with an annual rental value of 2,635,000.00 million Saudi riyals, and the tenant provided rental guarantees, which are bonds for a three-year order It is renewed automatically to the end of the contract, in addition to paying a two-year lease in advance.

23) SEGMENT REPORTING

The Fund has invested in Twelve real estate investment properties in the Kingdom of Saudi Arabia. As it has invested in a single industry and in a single country, no segment information has been presented.

24) LAST VALUATION DAY

The last valuation day of the period was 31 December 2019.

25) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 24 Rajab 1441 corresponding to 19 March 2020.