

**AL-MAATHAR REIT FUND**  
**A Real Estate Investments Traded Fund**  
**(Closed-Ended Fund)**  
**(MANAGED BY OSOOL AND BAKHEET)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**  
Together with the  
**Independent Auditor's Review report to the Unitholders**

**AL-MAATHAR REIT FUND**

**INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)**

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**For the six-month period ended 30 June 2020**

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

**TO THE UNITHOLDERS  
AL- MAATHAR REIT FUND  
Riyadh, Kingdom of Saudi Arabia**

**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Al-Maathar Reit Fund (the "Fund"), managed by Osool & Bakheet Investment Company (the "Fund Manager") as at 30 June 2020 and the related interim statement of comprehensive income, interim statement of changes in net assets (Equity) attributable to unitholders and interim statement of cash flow for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

**SCOPE OF REVIEW**

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

**CONCLUSION**

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

For Al-Bassam & Co.

**Ibrahim Ahmed Al-Bassam**  
Certified Public Accountant  
License No. 337



**23 Dhual-Hijja 1441H  
13 August 2020G  
Riyadh, Kingdom of Saudi Arabia**

**AL-MAATHAR REIT FUND**  
**INTERIM STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**  
**(Amounts in Saudi Riyals)**

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents	6	15,205,620	43,635,850
Rent receivable, net	7	12,083,734	16,693,058
Prepaid expenses and other assets		2,839,696	1,309,139
Net Benefit contracts	8	7,451,908	8,041,114
Right-of-use assets		5,813,141	6,371,203
Investment properties	9	596,524,109	570,526,130
<b>TOTAL ASSETS</b>		<b>639,918,208</b>	<b>646,576,494</b>
<b><u>LIABILITIES</u></b>			
Accrued expenses and other liabilities		6,380,172	3,739,680
Deferred rental income		9,887,549	17,513,557
Accrued management fees and other	11	790,724	869,175
Lease liabilities on Right of use assets		5,920,360	6,058,809
Islamic financing	12	54,548,772	21,998,772
Provision for zakat	13	1,724,120	1,576,847
<b>TOTAL LIABILITIES</b>		<b>79,251,697</b>	<b>51,756,840</b>
<b>NET ASSETS (EQUITY) VALUE</b>		<b>560,666,511</b>	<b>594,819,654</b>
<b>UNITS IN ISSUE (Number)</b>		<b>61,370,000</b>	<b>61,370,000</b>
<b>PER UNIT VALUE</b>		<b>9.13</b>	<b>9.69</b>
<b>PER UNIT FAIR VALUE</b>	10	<b>9.42</b>	<b>9.82</b>

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

**AL-MAATHAR REIT FUND**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**For the six-month period ended 30 June 2020**  
**(Amounts in Saudi Riyals)**

	Notes	For the six- month period ended 30 June 2020 (Unaudited)	For the six-month period ended 30 June 2019 (Unaudited)
Rental income		26,782,650	25,610,617
Income from Murabaha placement	6	30,478	142,847
<b>Total operating income</b>		<b>26,813,128</b>	<b>25,753,464</b>
Benefit contract rent expense		(558,063)	(554,270)
Real estate management expenses		(1,292,733)	(1,037,178)
Fund management fees and other	11	(1,904,241)	(1,717,986)
Custodial fee		(116,970)	(70,138)
Islamic finance cost		(924,482)	--
Properties management fees	11	(734,762)	(777,794)
Expected credit loss provision		(10,118,064)	--
Lease financing cost		(199,050)	(225,672)
Other expenses		(1,330,006)	(928,788)
<b>Total operating expenses</b>		<b>(17,178,371)</b>	<b>(5,311,826)</b>
<b>Net income from operations</b>		<b>9,634,757</b>	<b>20,441,638</b>
Investment properties depreciation	9	(6,411,542)	(5,809,943)
Benefit contract amortizations	8	(573,856)	(570,016)
Net change of provision for impairment in real estate investments and benefit	8,9	1,394,171	--
<b>Net income for the period before zakat</b>		<b>4,043,530</b>	<b>14,061,679</b>
Zakat charge during the period	12	(147,273)	--
<b>Net income for the period after zakat</b>		<b>3,896,257</b>	<b>14,061,679</b>
Other comprehensive income		--	--
<b>Total comprehensive income for the period</b>		<b>3,896,257</b>	<b>14,061,679</b>

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

**AL-MAATHAR REIT FUND**  
**INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**For the six month-period ended 30 June 2020**  
**(Amounts in Saudi Riyals)**

	<b>Note</b>	<b>For the six-month period ended 30 June 2020</b>	<b>For the six-month period ended 30 June 2019</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Net asset (Equity) value attributable to the Unitholder at beginning of the period</b>		<b>594,819,654</b>	<b>612,698,986</b>
<b>Changes from unit transaction:</b>			
- Subscription of units – Cash		--	--
- Subscription of units – In-kind contribution		--	--
		--	--
Dividend paid during the period	<b>16</b>	<b>(38,049,400)</b>	<b>(39,276,800)</b>
Total comprehensive income for the period		<b>3,896,257</b>	<b>14,061,679</b>
<b>Net asset (Equity) value attributable to the unitholder at end of the period</b>		<b>560,666,511</b>	<b>587,483,865</b>

**Transactions in units for the period are summarized as follows:**

	<b>For the six-month period ended 30 June 2020</b>	<b>For the six-month period ended 30 June 2019</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of units at the beginning of the period</b>	<b>61,370,000</b>	<b>61,370,000</b>
Subscription of units – Cash	--	--
Subscription of units – In-kind contribution	--	--
<b>Number of units at the end of the period</b>	<b>61,370,000</b>	<b>61,370,000</b>

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

**AL-MAATHAR REIT FUND**  
**INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the six-month period ended 30 June 2020**  
**(Amounts in Saudi Riyals)**

	Note	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
		(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>			
Net income for the period before zakat		4,043,530	14,061,679
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Investment properties depreciation	9	6,411,542	5,809,943
Benefit Contracts Amortizations	8	573,856	549,121
Right-of-use assets depreciation		558,063	554,269
Lease Financing expenses		199,050	225,672
Expected credit loss provision		10,118,064	--
Islamic finance cost		924,482	--
Change of provision for impairment in real estate investments and benefit	9	(1,394,171)	
		<b>21,434,416</b>	<b>21,200,684</b>
<b>Changes in operating assets:</b>			
Rent Receivable, net		(5,508,740)	(3,073,098)
Prepaid expenses and other assets		(1,530,557)	(1,397,244)
<b>Changes in operating liabilities:</b>			
Accrued expenses and other payable		1,716,010	956,123
Unearned rental income		(7,626,008)	(6,928,975)
Accrued management fees and other		(78,451)	(25,223)
<b>Net cash generated from operating activities</b>		<b>8,406,670</b>	<b>10,732,267</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment properties		(31,000,000)	--
Improvement of properties		--	(100,686)
<b>Net cash used in investing activities</b>		<b>(31,000,000)</b>	<b>(100,686)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of lease liability		(337,500)	--
Islamic financing		32,550,000	--
Dividend paid during the period	16	(38,049,400)	(39,276,800)
<b>Net cash used in financing activities</b>		<b>(5,836,900)</b>	<b>(39,276,800)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(28,430,230)</b>	<b>(28,645,219)</b>
Cash and cash equivalents at the beginning of the period	6	43,635,850	34,254,259
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	6	<b>15,205,620</b>	<b>5,609,040</b>

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

## **AL-MAATHAR REIT FUND**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2020**

**(Amounts in Saudi Riyals)**

#### **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 subject to the Real Estate Investment Funds Regulations (“Regulations”) and the Instructions for Real Estate Investment Traded Funds published by the Capital Market Authority, which outline the requirements that all real estate funds and real estate funds traded in the Kingdom of Saudi Arabia must follow.

#### **3. BASIS OF PREPARATION**

##### **3.1 *Statement of compliance***

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and pronouncement issued by the Saudi Organisation of Certified Public Accountants (“SOCPA”).

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

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019. The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

##### **3.2 *Basis of measurement***

These interim financial statements have been prepared on the historical cost basis.

##### **3.3 *Functional and presentation currency***

These interim condensed financial statements have been prepared in Saudi Riyals (SAR) which is the Fund's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to nearest Riyal, unless otherwise mentioned.



## AL-MAATHAR REIT FUND

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

#### 3. BASIS OF PREPARATION (continued)

##### 3.4 Critical accounting judgments, estimates and assumption

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2019, except for the estimate described below:

##### Measurement of the expected credit loss allowance

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2019.

#### 5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

##### - MANAGEMENT FEE, OTHER EXPENSES

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.5% percent per annum of the Fund's total assets value and is paid on quarterly basis.

##### - TRANSACTION FEE

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

#### 6. CASH AND CASH EQUIVALENTS

		<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Cash at bank		5,205,620	12,635,850
Time deposit	6.1	10,000,000	31,000,000
<b>Total</b>		<b>15,205,620</b>	<b>43,635,850</b>

6.1 Time 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.

**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

**7. Rent receivable, net**

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Rent receivable	23,201,798	17,693,058
Expected credit loss provision	<b>(11,118,064)</b>	<b>(1,000,000)</b>
<b>Total</b>	<b><u>12,083,734</u></b>	<b><u>16,693,058</u></b>

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Balance at the beginning of the period / year	1,000,000	--
Charge for the period / year	<b>10,118,064</b>	<b>1,000,000</b>
Balance at the end of the period / year	<b><u>11,118,064</u></b>	<b><u>1,000,000</u></b>

**8. Net benefit contracts**

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Cost at the beginning of the period / year	8,041,114	9,447,714
Addition	-	20,895
Amortization	<b>(573,856)</b>	<b>(1,150,178)</b>
Impairment	<b>(15,350)</b>	<b>(277,317)</b>
	<b><u>7,451,908</u></b>	<b><u>8,041,114</u></b>

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 year 15 years.

**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

**9. INVESTMENT PROPERTIES**

As at 30 June 2020 (Unaudited)

	<u>Land</u>	<u>Building</u>	<u>Furnitures</u>	<u>Total</u>
<b>Cost</b>				
Balance as of 31 December 2019 (Audited)	280,609,019	308,932,205	8,894,700	598,435,924
Additions	2,856,700	28,143,300	--	31,000,000
Impairment reversal*	349,994	1,059,527	--	1,409,521
<b>Balance as of 30 June 2020 (Unaudited)</b>	<b>283,815,713</b>	<b>338,135,032</b>	<b>8,894,700</b>	<b>630,845,445</b>
<b>Accumulated Depreciation</b>				
Balance as of 31 December 2019 (Audited)	--	24,791,769	3,118,025	27,909,794
Charge for the period	--	5,745,866	665,676	6,411,542
<b>Balance as of 30 June 2020 (Unaudited)</b>	<b>--</b>	<b>30,537,635</b>	<b>3,783,701</b>	<b>34,321,336</b>
<b>Book Value: as of 30 June 2020 (Unaudited)</b>	<b>283,815,713</b>	<b>307,597,397</b>	<b>5,110,999</b>	<b>596,524,109</b>

\*During the period ended 30 June 2020, an amount of **1,409,521** Saudi riyals representing partial reversal of original impairment was recognized in the interim statement of comprehensive income. The reversal was netted with the charge on benefit contracts, see note 8.

**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

**9. INVESTMENT PROPERTIES (continued)**

As at 31 December 2019 (Audited)

	<u>Land</u>	<u>Building</u>	<u>Furnitures</u>	<u>Total</u>
<b><u>Cost</u></b>				
Balance as of 31 December 2018 (Audited)	274,368,142	296,113,824	8,743,937	579,225,903
Additions	8,702,023	13,756,054	150,763	22,608,840
Impairment	<u>(2,461,146)</u>	<u>(937,673)</u>	--	<u>(3,398,819)</u>
Balance as of 31 December 2019 (Audited)	<u>280,609,019</u>	<u>308,932,205</u>	<u>8,894,700</u>	<u>598,435,924</u>
<b><u>Accumulated Depreciation</u></b>				
Balance as of 31 December 2018 (Audited)	--	14,243,115	1,803,316	16,046,431
Charge for the period	<u>--</u>	<u>10,548,654</u>	<u>1,314,709</u>	<u>11,863,363</u>
Balance as of 31 December 2019 (Audited)	<u>--</u>	<u>24,791,769</u>	<u>3,118,025</u>	<u>27,909,794</u>
<b>Net Book Value:</b>				
Balance as of 31 December 2019 (Audited)	<u>280,609,019</u>	<u>284,140,436</u>	<u>5,776,675</u>	<u>570,526,130</u>

Real estate investments consist of ten real estate, which are as follows:

- Al-Maather: represents commercial, residential and office real estate located on Prince Turki bin Abdulaziz Al-Awal Road in Al-Maather district in Riyadh.
- Al Rabeeh: Commercial real estate represents "hotel units" located in Prince Saud bin Muhammad bin Muqrin Road in Al Rabeeh district in Riyadh.
- Al-Muhammadiyah: represents commercial and office real estate located on King Fahd Bin Abdulaziz Road in Al-Olaya district in Riyadh.
- Al-Takhasosi: represents a commercial real estate located in Al-Takhasusi Street in Al-Maather district in Riyadh.
- Al Sahafa 1: represents an office commercial property located on Olaya Street in Al Sahafa district in Riyadh.
- Al Sahafa 2: It represents an office property located on Olaya Street in Al Sahafa district in the city of Riyadh.
- Al-Ha'ir warehouse: it represents warehouses and is located in the Al-Masani neighborhood in Riyadh.
- Al-Selay warehouse: it represents warehouses and is located in Al-Khattab Street in Al-Sulay district in Riyadh.
- Towlan Hotel Suites: It represents hotel suites and is located in Al Aqrabiyah district in Al Khobar.
- Elite Educational Schools: An educational property located in Al-Fahd neighborhood road in Onaiza city. Which was purchased during period.

**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

**10. EFFECT OF NET ASSET (EQUITY) 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 accounting policy of the fund, investment properties are carried at cost less accumulated depreciation and impairment if any in these interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The valuation of the investment properties (the "properties") is determined by Areeb Company, Valustrat Company. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM"). The Fund Manager has used the average of two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration a number of factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the land plus cost model, residual value method and discounted cash flow method. the valuation of the investment, properties are as follows:

	<b>Areeb Company for Real Estate Appraisal</b>	<b>Valustrat Company Real estate appraisal expert</b>	<b>Average</b>
<b><u>30 June 2020 (Unaudited)</u></b>			
Investment properties	614,592,902	608,050,000	611,321,451
Benefit contracts	<u>6,626,003</u>	<u>14,250,000</u>	<u>10,438,002</u>
<b>Total</b>	<b><u>621,218,905</u></b>	<b><u>622,300,000</u></b>	<b><u>621,759,453</u></b>
	<b>Areeb Company for Real Estate Appraisal</b>	<b>Valustrat Company Real estate appraisal expert</b>	<b>Average</b>
<b><u>31 December 2019 (Audited)</u></b>			
Investment properties	574,678,990	577,114,956	575,896,973
Benefit contracts	<u>6,865,160</u>	<u>14,250,000</u>	<u>10,557,580</u>
<b>Total</b>	<b><u>581,544,150</u></b>	<b><u>591,364,956</u></b>	<b><u>586,454,553</u></b>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties.

The investment properties were valued taking into consideration a number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method.

**AL-MAATHAR REIT FUND**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2020**

**(Amounts in Saudi Riyals)**

**10. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (continued)**

The analysis of investment properties fair value versus cost is disclosed below:

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	621,759,453	586,454,553
Less: the carrying value of		
(i) Investment properties	(596,524,109)	(570,526,130)
(ii) Benefit Contracts	<u>(7,451,908)</u>	<u>(8,041,114)</u>
Estimated fair value in excess book value	<u>17,783,436</u>	<u>7,887,309</u>
Units in issue (numbers)	<u>61,370,000</u>	<u>61,370,000</u>
Additional value per unit based on fair value	<u>0.29</u>	<u>0.13</u>

*Net asset to unitholders:*

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	560,666,511	594,819,654
Estimated fair value in surplus of book value	<u>17,783,436</u>	<u>7,887,309</u>
Net asset value attributable to unit holders based on fair value of investment properties	<u>578,449,947</u>	<u>602,706,963</u>

*Net asset attributable to each unit:*

	<u>30 June 2020</u> (Unaudited)	<u>December 2019</u> (Audited)
Book value per unit as per the financial statements before fair value adjustment	9.13	9.69
Increase in value per unit based on fair value	<u>0.29</u>	<u>0.13</u>
Net asset value attributable to unit holders based on fair value of investment properties	<u>9.42</u>	<u>9.82</u>

All properties are registered in the name of baitk for custody (Company). The company retains these properties in the usufruct ownership of the Fund, does not own any controlling interests and does not cause any risks to the real estate.

**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**11. TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Fund include “osool and bakkheet” Property manager, Medad Al Khair property management Corporation and Zawyet Al Maather Real Estate Company.

In the normal course of business, the fund deals with related parties. Related party transactions are governed by regulations issued by the Capital Market Authority. All transactions with related parties are approved by the fund's board of directors.

The significant related party transactions entered into by the Fund during the period are as follows:

<b><u>Related Party</u></b>	<b><u>Nature of transaction</u></b>	<b>For the six-month period ended</b>	
		<b><u>June 2020</u></b> <b><u>(Unaudited)</u></b>	<b><u>June 2019</u></b> <b><u>(Unaudited)</u></b>
		<b><u>Amount of</u></b> <b><u>transaction</u></b>	<b><u>Amount of</u></b> <b><u>transaction</u></b>
Osool & Bakheet Company	Fund management fee and other	1,904,241	1,717,986
Zawyat alma'athar for real estate – unitholder and Board member (previous owner)	Takhasusi Real estate development	--	--
Madad Alkhair for real estate	Management property	734,762	777,794
Board of Directors	Attendance allowance	21,000	30,000

The balances resulting from related party transactions are as follows:

<b><u>Related Party</u></b>	<b><u>Nature of transaction</u></b>	<b><u>30 June 2020</u></b>	<b><u>31 December 2019</u></b>
		<b><u>(Unaudited)</u></b>	<b><u>(Audited)</u></b>
		<b><u>Balance</u></b>	<b><u>Balance</u></b>
Osool & Bakheet Company	Fund management fee and other	(790,724)	(869,175)
Zawyat alma'athar for real estate – unitholder and Board member (previous owner)	Takhasusi Real estate development*	(334,959)	(334,959)
Madad Alkhair for real estate	Management property*	(490,125)	(674,759)
Board of Directors	Attendance allowance*	(21,000)	(48,000)

\*The Board of Directors' attendance allowances and real estate management fees have been included in the interim statement of financial statement under the item accrued expenses and other liabilities.

## AL-MAATHAR REIT FUND

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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#### 12. Islamic financing

The Fund has credit facilities (Tawaruq) from local banks in the form of long-term loans to finance the purchase of Tolan real estate in Al Khobar. These facilities carry commissions according to the prevailing rates in the local market. Financing granted are secured by a collateral of one of the Fund's properties.

The table below shows the movement of Islamic facilities:

	30 June 2020 (Unaudited)	December 2019 (Audited)
The balance at the beginning of the period / year	21,998,772	--
Charge during the period / year	32,550,000	21,998,772
Balance at the end of the period / year	54,548,772	21,998,772

#### 13. Zakat

The movement in provision during the period / year is as follows

	30 June 2020 (Unaudited)	December 2019 (Audited)
The balance at the beginning of the period / year	1,576,847	--
Charge during the period / year	778,816	1,576,847
Zakat adjustments	(631,543)	--
Balance at the end of the period / year	1,724,120	1,576,847

#### 14. RISK MANAGEMENT

##### 14.1 Financial 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 interim condensed financial statements principally include cash and cash equivalents, rent receivable, Islamic financing, accrued management fees, and other liabilities included in the interim condensed financial statements.

##### (a) 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, commission 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.

##### *Currency risk*

Currency risk is the risk that the value of financial instrument may fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund i.e. bank balances, rent receivable, accrued management fee and accrued expenses and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

##### *Price risk*

Price risk is the risk that the value of a fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than the movement of foreign currencies and the commission rate. Price risk arises primarily from the uncertainty about the future prices of the financial instruments held by the fund. The fund monitors the price movement of its investments in financial instruments.



**AL-MAATHAR REIT FUND****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**14. RISK MANAGEMENT (continued)****14.1 Financial risk management (continued)****Commission rate risk**

Commission rate risk is the risk that the value of future cashflows of financial instruments or fair value of fixed coupon financial instruments will fluctuate due to changes in the market commission rates.

		<b>30 June 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha placements	+5%	<b>500,000</b>	1,550,000
Islamic Financing	+5%	<b>2,727,439</b>	1,099,939

**(b) 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 discharge an obligation. The Fund is exposed to credit risk for its rent receivable, other receivables and cash at bank.

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 with a sound credit rating.

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

	<b>Note</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
Cash and cash equivalents	<b>6</b>	<b>15,205,620</b>	43,635,850
Rent Receivable	<b>7</b>	<b>12,083,734</b>	16,693,058

**(c) Liquidity risk**

It is the risk that the fund will face difficulties in obtaining the necessary financing to meet the obligations associated with financial liabilities and the fund manager monitors the liquidity requirements on an ongoing basis in order to ensure the adequacy of the available financing to meet any obligations when they arise.

The Fund's terms and conditions stipulate that units are subscribed and redeemed every business day, and as such, it is exposed to the liquidity risk of redeeming shareholder funds on these days. The fund's financial liabilities consist primarily of accounts payable that are expected to be settled within one month of the date of the interim condensed financial position.

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any obligations when they arise, either through new subscriptions, liquidating the investment portfolio, or by taking short-term loans from the fund manager.

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

**AL-MAATHAR REIT FUND**

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**14. RISK MANAGEMENT (continued)**

**14.1 Financial risk management (continued)**

**(c) Liquidity risk (continued)**

	30 June 2020(Unaudited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	15,205,620	--	15,205,620
Rent receivable, net	12,083,734	--	12,083,734
Net benefit contracts	7,451,908	--	7,451,908
Other assets	1,687,604		1,687,604
Right-of-use assets	--	5,813,141	5,813,141
Investment properties	--	596,524,109	596,524,109
<b>TOTAL ASSETS</b>	<b>36,428,866</b>	<b>602,337,250</b>	<b>638,766,116</b>
Accrued expenses and other liabilities	6,380,172	--	6,380,172
Unearned rental income	9,887,549	--	9,887,549
Accrued management fees and other	790,724	--	790,724
Lease liability	5,240,685	679,675	5,920,360
Islamic financing	--	54,548,772	54,548,772
Zakat provision	1,724,120	--	1,724,120
<b>TOTAL LIABILITIES</b>	<b>24,023,250</b>	<b>55,228,447</b>	<b>79,251,697</b>
	31 December 2019 (Audited)		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	43,635,850	--	43,635,850
Rent receivable	16,693,058	--	16,693,058
Other assets	1,001,403	--	1,001,403
Net benefit Contracts	8,041,114	--	8,041,114
Right-of-use assets	--	6,371,203	6,371,203
Investment properties	--	570,526,130	570,526,130
<b>TOTAL ASSETS</b>	<b>69,371,425</b>	<b>576,897,333</b>	<b>646,268,758</b>
Accrued expenses and other liabilities	3,739,680	--	3,739,680
Unearned rental income	17,513,557	--	17,513,557
Accrued management fees and other	869,175	--	869,175
Lease liability	424,500	5,634,309	6,058,809
Islamic financing	-	21,998,772	21,998,772
Zakat provision	1,576,847	-	1,576,847
<b>TOTAL LIABILITIES</b>	<b>24,123,759</b>	<b>27,633,081</b>	<b>51,756,840</b>

**(d) 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.

**AL-MAATHAR REIT FUND**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the six-month period ended 30 June 2020**

**(Amounts in Saudi Riyals)**

**14. RISK MANAGEMENT (continued)**

**14.2 Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- 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 the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are observable inputs for the asset or liability.

On 30 June, 2020 and 2019, the Fund's financial instruments include cash and cash equivalents, rent receivables, Islamic financing, accrued management fees, accrued expenses and other liabilities. All financial instruments are measured at amortized cost, and their carrying value is considered as a reasonable approximation of the fair value.

**15. FINANCIAL INSTRUMENTS BY CATEGORY**

All financial assets and financial liabilities are classified under amortized cost as of 30 June 2020 and 31 December 2019.

**16. SEGMENT REPORTING**

The Fund has invested in ten real estate investments in the Kingdom of Saudi Arabia and four utility contracts. As it is invested in a single sector and in a single country, no segment information has been presented.

**17. DIVIDEND DISTRIBUTION**

In accordance with the Fund's terms and conditions, the Fund aims to provide annual dividend distribution no less than 90% of the Fund's net profits. The Fund Board of Directors approved the distribution of dividends for the year ended December 31, 2019, amounting to 0.62 Saudi riyals per unit totalling 38,049,400 Saudi riyals and were paid in March 2020. Dividends were distributed for the period (31 December 2018: 39,276,800 Saudi riyals) and were paid in March 2019.

**18. Reclassification**

Certain figures for the year ended 31 December, 2019 have been reclassified in order to conform to the current period presentation.

**19. CHANGES IN FUNDS TERMS AND CONDITIONS**

During the period, the Fund revised its terms and conditions, as the Fund updated the audit fees and profiles of the board members.

**20. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**AL-MAATHAR REIT FUND**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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**For the six-month period ended 30 June 2020**

**(Amounts in Saudi Riyals)**

**21. LAST VALUATION DAY**

The last valuation day of the period was at 30 June 2020.

**22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Fund's Board on 23 Dhul-Hijja 1441H (corresponding to 13 August 2020).