



## **AL Ma'ather REIT Fund**

**التقرير السنوي  
Annual Report  
2020**

## A- INVESTMENT FUND INFORMATION

### 1) Name of investment fund.

AL Ma'ather REIT Fund

### 2) Investment objectives, Strategies:

The fund aims to invest in real estate assets, within the Kingdom of Saudi Arabia, which are achievable periodic rental income, and to distribute at least 90% of the fund's net profits annually.

The fund invests as a secondary asset of the fund in real estate development projects, provided that:

1. Fund's assets invested in developed real estate assets, that generate income periodically, shall not be less than, about 75% of the total assets of the fund according to the latest audited financial statements
2. The fund shall not invest its assets in Idle Lands.

### 3) Dividends Distribution Policy.

The fund manager aims to provide an annual cash dividend of no less than ninety percent (90%) of the fund from operation to the units holders, after actual collection on annual basis, and after the approval of the Fund Board of Members. Dividends due during the first quarter of each year.

The fund manager can pay dividends more than once a year.

### 4) The fund's Reports are available upon request free of charge.

**All reports of Al Ma'ather REIT Fund were prepared in accordance with the provisions of the Investment Funds Regulations, the Real Estate investment Funds Regulations, and the instructions of real estate investment traded funds issued by the Capital Market Authority. It is available to public upon request and it's free of charge.**

## 5) The assets in which the fund is invested

Al-Ma'ather REIT Fund invests in several assets and has a total of 15 assets. Majority of assets are located in Riyadh and Khobar, Unaizah as follows:

#	Assets	Sector	Tenant	Average latest valuation	Location
1	Genx Al Maather	Commercial / office / hospitality	Several tenants	151,790,027	24°40'53.2"N 46°40'03.4"E
2	Al Mohammadia	Commercial / office	Several tenants	97,248,201	24°40'55.0"N 46°41'12.1"E
3	Al Sahafa building 1	office	Medical Services - Ministry of Interior	49,184,639	24°47'49.1"N 46°37'59.8"E
4	Al Sahafa building 2	office	Saudi Health Council	53,436,896	24°46'48.0"N 46°38'31.1"E
5	Al Tkahssusi showrooms	Commercial	Hala Auto Company	54,489,765	24°40'51.4"N 46°40'39.2"E
6	Genx Al Rabie	Commercial / hospitality	Several tenants	37,324,995	24°46'56.2"N 46°38'56.9"E
7	Hair warehouses	Industrial	Several tenants	18,098,807	24°33'48.3"N 46°44'29.8"E
8	Sulai warehouses	Industrial	Several tenants	45,237,951	24°40'30.9"N 46°50'12.3"E
9	Towlan Hotel Suites	hospitality	Towlan Hotel Suites Company	22,665,407	26°18'13.4"N 50°10'31.9"E
10	Al Rabie (leasehold)	Commercial	Several tenants	478,265	24°47'16.9"N 46°39'31.9"E
11	Al Quds (leasehold)	Commercial	Several tenants	1,089,582	24°45'36.0"N 46°44'25.0"E
12	Wadi Laban (leasehold)	Commercial	Several tenants	1,894,712	24°38'06.8"N 46°34'08.2"E
13	Al Dabbab (leasehold)	Commercial	Several tenants	3,415,839	24°39'38.0"N 46°42'33.4"E
14	Al Nokhba Educational Schools	Educational	Al Nokhba Educational Schools	29,620,144	26°04'20.1"N 44°00'25.3"E
15	Al Salam Schools	Educational	Al Salam Schools	40,335,114	24°42'27.5"N 46°49'12.0"E

6) Target assets to be acquired by the fund:

Despite the exposure of the real estate market to the COVID-19 in year 2020 in an unprecedented way which affected the real estate market activity in Saudi Arabia and the world in general, it rearranged the tenants' priorities and their orientations in the coming period especially in the offices sector. However, fund management still believes the size of the Saudi economy and the growth momentum in the coming period it creates opportunities for various real estate sector for growth in the medium and long term, supported by the opportunities and capabilities offered by the Saudi economy during the stages of achieving Vision 2030.

The size of the Saudi economy and government momentum that drives the diversification and privatization of the economy, In addition to promoting the city of Riyadh to take its place among the cities in the region as an attractive destination to host the regional headquarters of international companies, it will make the real estate market in Saudi Arabia in general and in the city of Riyadh in particular ready to recover from this pandemic and grow in the future.

Whereas, Almaather REIT Fund is characterized by diversity, both in terms of the number of tenants or in terms of sectors in which it is invested, with most of its properties concentrated in the city of Riyadh, the management of the fund continues to give priority to the health and educational sector in the coming period, to integrate with the diversified mix of the fund's properties, not lose sight of the opportunities presented to the fund manager in promising sectors in the medium and short term, such as luxury offices and closed residential complexes in the city of Riyadh in addition to the warehouses sector, restaurants and entertainment sectors in all major cities of Saudi Arabia.

7) The percentage of weighted average occupancy:

The name of the property	Occupancy rate
Genx Al Maather	%73
Al Sahafa building 1	%100
Al Sahafa building 2	%100
Al Tkahssusi showrooms	%100
Al Mohammadia	%100
Genx Al Rabie	%25
Hair warehouses	%100
Sulai warehouses	%97
Al Rabie (leasehold)	%100
Al Quds (leasehold)	%100
Al Dabbab (leasehold)	%100
Wadi Laban (leasehold)	%100
Towlan Hotel Suites	%100
Al Nokhba Educational Schools	%100
Al Salam Schools	%100
<b>Total</b>	<b>%96</b>

Note: The total occupancy percentage was calculated based on the weighted average

## B- FUND PERFORMANCE

1) Performance table covering the last (3) financial years (or since inception), highlighting:

	31/12/2018	31/12/2019	31/12/2020
a) The fund net assets value at the period end.	<b>SAR 612,698,986</b>	<b>SAR 594,819,654</b>	<b>SAR 549,405,253</b>
b) The fund net assets value per unit at the period end.	<b>SAR 9.98</b>	<b>SAR 9.69</b>	<b>SAR 8.95</b>
c) Highest net asset value per unit for each financial year*	<b>SAR 10.13</b>	<b>SAR 9.69</b>	9.13
c) Lowest net asset value per unit for each financial year	<b>SAR 9.98</b>	<b>SAR 9.57</b>	8.95
d) The number of units in issue at the end of each financial year	61,370,000 <b>UNIT</b>	61,370,000 <b>UNIT</b>	61,370,000 <b>UNIT</b>
e) Income distribution per unit (gross and net).	0.64 <b>Halala</b>	0.62 <b>Halala</b>	0.39 <b>Halala</b>
f) Expense ratio to the fund net assets**	0.70%	1.15%	1.70%

\* The highest and lowest net assets value of the fund was calculated for each unit as of the date of the financial statements.

\*\* It has been calculated as the sum of the total expenditures that the fund has incurred directly for the letters in paragraph 3 of clause B of this report note that the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense are excluded from the expense ratio.

\*\* Expense ratio has been calculated from the net asset value of the fund as of 12/31/2020

2) Performance record:

a) The aggregate return for 1 year, 3 years and since inception since July 9, 2017.

Al Ma'ather REIT fund	2020	Year 3	Since inception*
<b>Total return SAR (Total rental income)</b>	51,337,805	157,531,998	178,032,676
<b>Total return ratio %</b>	8.37%	25.67%	29.01%

\*The date of commencement of the fund's work on 09/07/2017, The lease due for the fund began during August 2017 when real estate title dead was transferred to the ownership of fund, it is calculated on the basis of the fund's value at creation

\*\* The percentage of total return from capital

b) The Annual aggregate return for each of the last 10 financial years.

Al Ma'ather REIT fund	2020	2019	2018	2017*
<b>Total return SAR</b>	51,337,805	53,574,640	52,619,553	20,500,678
<b>Total return ratio %</b>	%8.73	%8.73	%8.57	%3.34

\*The date of commencement of the fund's work on 09/07/2017, The lease due for the fund began during August 2017 when real estate title dead was transferred to the ownership of fund, it is calculated on the basis of the fund's value at creation

\*\* The percentage of total rental from capital

- 3) The table under showing actual fees and fund expenses paid by the investment fund during the year.

The Total Expense Ratio also clearly disclosed.

The fund manager has not waived or rebates any fees.

Expenses	Value in SAR
Chartered accountant fees	51,000
Board members fees	45,000
Custodian fee	242,307
Legal advice	47,063
Bank charges	16,063
Management fees	3,259,430
Feasibility study expenses	0
Other expenses	3,774,891
Operator fees	2,102,992
Capital Market Authority fees	7,500
Tadawul fees	150,812
Non-Performing Rent Provision	11,431,044
Property Evaluation fees	261,750
Lease Hold contracts	1,512,422
Lease operation and property Management	3,500,639
Zakat Expenses	1,487,806
Depreciation and amortization	14,206,228
<b>Total expenses</b>	<b>42,096,979</b>
<b>*The percentage</b>	<b>7.66%</b>
<b>Expenses:</b> (only the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>32,753,325</b>
<b>Expenses:</b> (Without the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>9,343,654</b>
<b>*Percentage of the expenses:</b> (Without the Depreciation, amortization, Provision for impairment in the value of investments, Lease Hold contracts expense, Operator fees, and management properties expense)	<b>1.70%</b>

Note: There is impairment in the value of real estate investments equal to (16,605,829), that was not included in the expenses, The fund manager has not reduced or waived any fees, and performance data calculation methodology in addition to any assumption have been applied consistently.

\* Expense ratio has been calculated from the net asset value of the fund as of 12/31/2020.

4) Material changes that occurred during the period and affected the performance of the fund:

- a) On 09/02/2020 (15/06/1441 Hijri): Osool & Bakheet Investment Company announces the mortgage of two real estate offices located in Riyadh city, defined as First Sahafa and Second Sahafa properties to Al Rajhi Bank "Bank" on Thursday 12/06/1441H corresponding to 06/02/2020G. This mortgage is given as a guarantee for sharia compliant facility intended to be provided by the Bank for the fund.
- b) On 18/03/2020 (23/07/1441 Hijri): Further to the announcement by Osool & Bakheet Investment Company which was published on 09 March 2020, Osool & Bakheet Investment Company announces the completion of the registration of AL Ma'ather REIT Fund with the General Authority for Zakat and Income for the purpose of payment the fund zakat for the year 2019. It should be noted that the annual Zakat expense will be paid by the Fund starting from 2019. Accordingly, the Zakat clauses in the Fund's terms and conditions have been updated. Except for these changes, the Fund Manager asserts that there has been no fundamental change from the previous announcement.
- c) On 19/04/2020 (26/08/1441 Hijri): In reference to the role of the fund manager in informing investors about the impact of this pandemic on the fund, the fund manager would like to clarify that it is reviewing the impact of this pandemic on all economic sectors represented by the fund's real estate tenants. The Fund Manager recently received requests from few tenants who were affected by the precautionary measures to combat the spread of the Corona Virus (COVID-19), and the total rental value of their requests so far represents less than 5% of the total annual rental income of the Fund, and accordingly the Fund Manager would like To clarify that an assessment of the impact is still taking place and still early to conclude final assessment. It is worth noting that Al-Ma'ather Fund has more than 200 tenants and there is no exposure to any anchor tenant whose annual rental value constitutes more than 14% of the total revenue of the fund.
- d) On 06/05/2020 (13/09/1441 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 08/26/1441H corresponding to 19/04/2020G, concerning informing investors about the impact of the Corona pandemic on the total rental of the fund, the fund manager would like to disclose that the fund received requests from tenants beginning of march to reduce the rental value to about SAR 2.50 million, The amount of the reduction request constitutes approximately 4.5% of the total rental income of the Fund, The total value of income disruption (rent of vacant properties) during the same period amounted to about SAR 2.82 million and constitutes approximately 5.0% of the total rental income of the fund.
- e) On 16/09/2020 (28/01/1442 Hijri): The fund manager acknowledged receiving a letter from the "Gulf ELCON Company for Trading and Contracting" which is the anchor tenant of Al-Rabie GENX asset that located on prince Mohammed bin Salman road-Riyadh, The tenant wants to hand over the rental units

which represent a rental value of SAR3.75 million (7.0% of the Gross annual rents), note that the case file is under legal progress by the competent court due to the default of the payments and in the course of current events, the fund manager would like to confirm that the case is still under review and in its course with the competent courts to preserve the rights of unit owners.

5) **A statement of the dividends distributed to the units holders:**

On Monday 02/08/1442 AH, corresponding to 03/15/2021AD, the Fund Manager announced distributing cash dividends to the fund units holders for the fiscal year ending on December 31, 2020. The value is SAR 23,934,300 and the cash dividends were on the basis of 61,370,000 existing units, where the amount of profit distributed for the period amounted to 0.39 Saudi riyals for each unit, and its percentage to the initial price of the unit is 3.9%.

6) **Disclosure of the exercise of annual proxy voting :**

During the reporting period, the fund did not invest / own any of the securities listed on the Saudi Stock Exchange.

7) **Main topics the Fund Board discussed over the period:**

A. Topics discussed:

- Oversee the fund operation.
- Discussing the fund's real estate occupancy rates.
- Discussing the estimated budget for 2020.
- Discussing the realized and expected cash dividends of the fund
- Discussing strategy / opportunities to acquire new real estate assets
- Discussing the effect of COVID-19 pandemic on Alma'ather REIT Fund
- Discussing investor Suggestions
- Discussing the general situation of the real estate market

B. The decisions have been taken:

- Approval on the property manager's plan to make real estate improvements to preserve the asset value.
- Approval on the 2020 budget.
- Looking for a tenant for furnished units in the Genx Al Rabie.
- Prepare a file to expect the impact on the rental value of the fund as a result of COVID-19.
- Approval for company affiliated to the fund manager to rent one of the Genx Alma'ather, where the tenant no preferential treatment was granted for leasing.
- The Board recommends discussing the investment policy and updated annually.

## C- FUND MANAGER

- 1) Name and address of the fund manager.



Osool & Bakheet Investment Company  
King Fahd Rd, AL Bahrain tower  
P.o.63762 Riyadh 11526  
Kingdom of Saudi Arabia  
Telephone: 00 966 11 419 1797 Fax: 00 966 11 419 1899  
Website: [WWW.OBIC.COM.SA](http://WWW.OBIC.COM.SA)

- 2) Names and addresses of sub-manager and/or investment adviser (if any).

Does not apply.

- 3) A review of the investment activities during the period.

- A. On 24/02/2020 (30/06/1441 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 28/05/1441 H corresponding to 23/01/2020, concerning the signing of the purchase agreement of Al Nokhba Educational Schools. Osool & Bakheet Investment Co. announces the successful completion of purchase transaction on Sunday 29/06/1441 H corresponding to 23/02/2020 with a value of SAR 31,000,000 (thirty-one million Saudi riyals) in addition to value added tax of SAR 1,550,000 (one million five hundred fifty thousand Saudi riyals). The seller "Creative Knowledge Company for Educational Purposes" has signed a binding lease contract (Triple Net lease contract), for a period of 15 years with an annual rental value of 2,635,000 (two million six hundred and thirty five thousand Saudi riyals), with an annual return of 8.5%. The lessee provided rental guarantees in the form of three years promissory notes to be renewed annually until the end of lease contract. In addition to pay in advance amount of rent equal to two years. The transaction will be funded through sharia complied credit facility agreement, the property is located in the city of Unaizah, in Al-Fahd district, near the intersection of Sheikh Muhammad Bin Uthaimin Road with Prince Sultan bin Abdulaziz Street, and the building area is approximately 10,522.17 square meters built on a land area of approximately 6,694 square meters, The Fund Manager further clarifies that there are no transactions with related parties or transactions involving conflicts of interest in this transaction.
- B. On 01/10/2020 (14/02/1442 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 07/02/1442H corresponding to 24/09/2020, concerning the signing of the purchase agreement of a real estate in city of Riyadh, Al Salam district. Osool & Bakheet Investment Co. announces the successful completion of purchase transaction on Wednesday 13/02/1442 H corresponding to 30/09/2020 with a value of SAR17,000,000 (Seventeen million Saudi riyals before tax. The property has been leased out to Integrated Development For a period of eleven years, for a period of 11 years The first lease year starts within 15 days from the date of purchase with an annual rental value of 3,600,000 (three million six hundred thousand Saudi riyals), It should be noted that the tenant has built structure on the land, with a value of approximately 5,937,000 (five million nine hundred thirty-seven thousand riyals) The ownership of which was transferred to the fund, and the fund is committed

itself under the lease contract to complete the construction of the educational complex with an estimated total costs that will amount to 23 million riyal (5.9 million riyals for current construction + 17.1 million for the rest of the construction costs), the fund paid the tenet an amount of 1.79 million riyals as part of the current construction value and the remaining amount of the current construction value of 4.14 million riyals provided by the tenant against the value of the first year rent plus VAT, noting that the rental value is fixed during the first five years, which represents a value of 3.6 million riyals from the contract, which rises from the sixth year by 17.5%, The tenet provided rental guarantees in the form of ten years promissory notes, The property is located in the city of Riyadh, in Al Salam district, near the intersection of Abdulrahman Ibn Awf Rd. and Alshabab St., and the building area is approximately 18,634.1 square meters built on a land area of approximately 10,000 square meters, The Fund Manager further clarifies that there are no transactions with related parties or transactions involving conflicts of interest in this transaction.

- C. On 02/11/2020 (16/03/1442 Hijri): Further to the announcement of Osool & Bakheet Investment Company published on 27/09/1441H corresponding to 20/05/2020, related to the extension of memorandum of Understanding with Al-Roqi National Schools Company for the purpose of developing and build ROQI national school in south Riyadh at Zahra district. The school will be constructed on built to suit concept on a land area of 7000 meters (seven thousand square meters), in return for that, the tenant will lease the entire complex (the land and the building) for a period of 26 years, the MOU to be expired on 31/10/2020, Osool & Bakheet Investment Co would like to notify that the memorandum has expired without renewal, with the two parties agreeing to keep communication available regarding any future agreement upon the readiness of the educational company and after the completion of the issuance of the statutory licenses and with new contractual terms appropriate for both parties.

#### 4) Summary of the investment fund's performance during the period (2020/01/01 – 2020/12/31)

Fund performance	Value
Total return	<b>SAR 51,337,805</b>
Total return ratio	<b>%8.37</b>
Changing the book value of the unit	<b>-0.74</b>
The percentage change of the book value per unit	<b>-%0.08</b>
Unit price at offering (listed on the Saudi Stock Exchange - Tadawul)	<b>SAR 10.00</b>
Unit price as of 12/31/2019 (listed in the Saudi Stock Exchange - Tadawul)	<b>SAR 8.90</b>
Unit price as of 12/31/2018 (listed on the Saudi Stock Exchange - Tadawul)	<b>SAR 8.77</b>
Changing the market value of the unit (listed on the Saudi Stock Exchange - Tadawul)	<b>SAR 0.13</b>
The percentage change of the unit's market value (listed on the Saudi Stock Exchange-Tadawul)	<b>%1.48</b>

\* The percentage of total return from capital

5) Details of any material changes made during the period.

- The fund was registered in The General Authority of Zakat and Tax and reflected in the fund's Terms and Conditions.
- Auditor Fee.
- Locating the Sulai Warehouses location more accurately.
- Update the Fund board's CVs.

6) Any other information that would enable unitholders to make a feasible judgment about the fund's activities during the period.

There is no information to add.

7) Substantial investment by the fund in other investment funds:

There are no investments in other investment funds.

8) Any special commission received by the fund manager during the period:

There is no special commission received by the fund manager during the period, and all amounts obtained by the fund manager were disclosed during the period

9) Any other data and other information required by CMA Regulations to be included in this report.

- a) Conflict of interest disclosure: There is no conflict of interest
- b) Disclosure of details of the fund manager's investments in the fund's units: The fund manager invests in 350,819 units of the fund as of 12/31/2020
- c) Summary of all valuation and pricing errors: There is no valuation and pricing errors.

## D- CUSTODIAN

### 1) Name and address of custodian.



**Albilad investment co.**  
**Headquarter – Riyadh,**  
**King Fahad RD,**  
**P.O.140 Riyadh 11411**  
**Free number: 920003636 Fax: 0112906299**  
**Website: [www.albilad-capital.com](http://www.albilad-capital.com)**

### 2) Brief description of its duties and responsibilities

The custodian maintains records of real estate assets and accounts and documents related to the fund - Which includes but is not limited to - Fund real estate deeds, a special purpose company was established for the purpose of preserving real estate assets, all fund investment decisions and all contracts related to the fund's activities are kept with the custodian, And the minutes of the fund's board of members meetings are kept, In addition to the valuation reports for the fund's assets that are prepared by the independent evaluations, The custodian also separates the fund's assets from any other assets, The creditors of the fund manager or the custodian shall not have any right to the funds money / assets of the fund

### 3) A statement based on Custodian opinion whether the fund manager has:

- a) issued, transferred and redeemed the units in accordance with the provisions of the Investment Funds Regulations and the fund's Terms and Conditions.
  - b) valued and calculated the price of units in accordance with the provisions of the Investment Funds Regulations , the fund's Terms and Conditions and the information memorandum;
  - c) Breached any of the investment restrictions, limitations and borrowing powers applicable to the Investment fund Regulations.
- The responsibilities assigned to the custodian do not include expressing this opinion about clauses mentioned above.

## E- AUDITOR

1) Name and address of auditor.



**Kingdom of Saudi Arabia**  
**P.O.28355 Riyadh 11473**  
**Prince Muhammad Bin Abdulaziz Rd - Sulimaniyah**  
**Telephone: 00966112065333**  
**Fax: 00966112065444**  
**<http://www.pkf.com/saudiarabia>**  
**[ibrahim.albassam@pkf.com](mailto:ibrahim.albassam@pkf.com)**

2) Auditor have given unqualified opinion as follow: (detailed financial statements attached)

- a) The financial statements have been prepared and audited in accordance with SOCPA standards, the Investment Funds Regulations, the fund's terms and conditions and the information memorandum.
- b) the financial statements give a true and fair view of the net income and the net gains or losses of the investment fund's assets in that accounting period; and
- c) The financial statements give a true and fair view of the financial position of the investment fund at the end of the period.
  - Attached in Appendix No. (1) the financial statements, including all the points above.

## **F- FINANCIAL STATEMENTS**

Financial statements for the annual accounting period (or the interim period covered in the report) of the investment fund, which must be prepared in accordance with SOCPA standards.

**AL-MAATHER REIT FUND**  
**A REAL ESTATE INVESTMENT TRADED- CLOSED ENDED FUND**  
**(MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**WITH INDEPENDENT AUDITOR'S REPORT**

**AL-MAATHER REIT FUND**  
**A Real Estate Investment Traded – Closed Ended Fund**  
**Financial Statements**  
**For the year ended 31 December 2020**  
**with the Independent Auditor's Report**

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**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 2020 and the statement of comprehensive income, statement changes in net assets attributable to the unitholders and statement cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional 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"><li>- We obtained two valuation reports from independent real estate evaluators Taqueem certified for each investment properties as at 31 December 2020 and confirmed that the valuation approaches are suitable for use in determining the fair values as at the reporting date;</li><li>- 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;</li><li>- Involved our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties.</li><li>- 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</li><li>- We reconciled the average fair value of the investment properties as per note 10 to the external valuers' reports.</li></ul>



**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 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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. When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **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 the Fund's Terms and condition, 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.



**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 (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 Al-Bassam & Co.**  
Riyadh, Kingdom of Saudi Arabia

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



**AL-MAATHER REIT FUND**  
A Real Estate Investment Traded - Closed Ended Fund  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2020**  
(Amounts in SAR)

	Note	31 December 2020	31 December 2019
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash and cash equivalents	6	35,047,631	43,635,850
Rent receivable, net	7	12,147,831	16,693,058
Prepayments and other assets	12	5,148,916	1,309,139
<b>Total current assets</b>		<b>52,344,378</b>	<b>61,638,047</b>
<b><u>Non-current assets</u></b>			
Leasehold Contracts, net	8	6,871,746	8,041,114
Right-of-use assets	9	5,246,781	6,371,203
Projects under construction		14,580,305	-
Investment properties	10	589,792,818	570,526,130
<b>Total non-current assets</b>		<b>616,491,650</b>	<b>584,938,447</b>
<b>Total assets</b>		<b>668,836,028</b>	<b>646,576,494</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Accrued expenses and other liabilities	13	8,356,169	3,739,680
Unearned rental income	16	17,292,528	17,513,556
Management accrual fees and other	14	979,649	869,175
Zakat provision	17	2,119,349	1,576,847
Lease liabilities – current portion	9	554,500	424,500
<b>Total current assets</b>		<b>29,302,195</b>	<b>24,123,758</b>
<b><u>Non-current liabilities</u></b>			
Lease liability	9	4,579,809	5,634,310
Islamic financing	15	85,548,771	21,998,772
<b>Total non-current liabilities</b>		<b>90,128,580</b>	<b>27,633,082</b>
<b>Total liabilities</b>		<b>119,430,775</b>	<b>51,756,840</b>
<b>NET ASSETS VALUE</b>		<b>549,405,253</b>	<b>594,819,654</b>
<b>Units in issue (numbers)</b>		<b>61,370,000</b>	<b>61,370,000</b>
<b>PER UNIT VALUE</b>	11	<b>8.95</b>	<b>9.69</b>
<b>PER UNIT FAIR VALUE</b>	11	<b>8.87</b>	<b>9.82</b>

The accompanying notes 1 to 29 form an integral part of these financial statements.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**STATEMENT OF COMPREHENSIVE (LOSS)/ INCOME**

For the year ended 31 December 2020

(Amounts in SAR)

	Note	31 December 2020	31 December 2019
<b><u>INCOME</u></b>			
Rental income	18	51,265,730	53,293,385
Commission's income	6	72,075	272,036
Other revenues		-	9,219
<b>Total income</b>		<b>51,337,805</b>	<b>53,574,640</b>
<b><u>EXPENSES</u></b>			
Leasehold contract rent expense		(1,124,422)	(1,120,523)
Properties management expenses		(3,500,639)	(3,345,480)
Fund management fees and other	14	(3,820,798)	(3,083,702)
Custodial fee		(242,307)	(210,963)
Finance Costs		(2,450,850)	(922,034)
Properties management fee		(2,102,992)	(2,707,125)
Expected credit loss expense	7	(11,431,044)	(1,000,000)
Other expenses	19	(1,729,892)	(1,520,822)
<b>Total Expenses from operations</b>		<b>(26,402,944)</b>	<b>(13,910,649)</b>
<b>Total income from operation</b>		<b>24,934,861</b>	<b>39,663,991</b>
Investment properties depreciation	10	(13,052,210)	(11,863,363)
Leasehold contract amortizations	8	(1,154,018)	(1,150,177)
Net change in provision for impairment of real estate investments and Leasehold	10	(16,605,828)	(3,676,136)
<b>Net (Loss) / income for the year before zakat</b>		<b>(5,877,195)</b>	<b>22,974,315</b>
Zakat charge during the year	17	(1,487,806)	(1,576,847)
<b>Net (Loss) / income for the year after zakat</b>		<b>(7,365,001)</b>	<b>21,397,468</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(7,365,001)</b>	<b>21,397,468</b>

The accompanying notes 1 to 29 form an integral part of these financial statements.



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**STATEMENT OF CHANGES IN NET ASSETS**

For the year ended 31 December 2020

(Amounts in SAR)

	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Net assets value attributable to the Unitholders at the beginning of the year</b>		<b>594,819,654</b>	<b>612,698,986</b>
<b>Changes from units' transactions:</b>			
Dividends paid during the year	<b>26</b>	<b>(38,049,400)</b>	<b>(39,276,800)</b>
Total comprehensive (loss)/income for the year		<b>(7,365,001)</b>	<b>21,397,468</b>
<b>Net assets value attributable to the unitholders at the end of the year</b>		<b>549,405,253</b>	<b>594,819,654</b>

**Summary of transactions in units for the year as follows:**

	<b>31 December 2020</b>	<b>31 December 2019</b>
Number of units at the beginning of the year	<b>61,370,000</b>	<b>61,370,000</b>
Issuance of units - by obtaining cash	<b>-</b>	<b>-</b>
<b>Number of units at the ending of the year</b>	<b>61,370,000</b>	<b>61,370,000</b>

The accompanying notes 1 to 29 form an integral part of these financial statements

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2020

(Amounts in SAR)

	<u>Notes</u>	31 December 2020	31 December 2019
<b>OPERATING ACTIVITIES</b>			
Net income for the year before zakat		(5,877,195)	22,974,315
<i>Adjustments to</i>			
Investment properties depreciation	10	13,052,210	11,863,363
Leasehold Contracts Amortizations		1,154,018	1,150,177
Right-of-use assets depreciation	9	1,124,422	1,120,523
Finance cost of lease liability	9	388,000	443,284
Expected credit loss expense		11,431,044	-
Loan profit expenses		2,062,850	-
Net change in provision for impairment of real estate investments and Leasehold		16,605,828	3,676,136
		<b>39,941,177</b>	<b>41,227,798</b>
<b>Changes in operating assets:</b>			
Rent Receivable, net		(6,885,817)	9,704,942
Prepayments and other assets		(3,839,777)	1,086,484
<b>Changes in operating liabilities:</b>			
Accrued expenses and other payable		2,553,639	1,310,739
Unearned rental income		(221,028)	(2,219,874)
Management accrual fees and other		110,474	55,465
Zakat provision		(945,303)	-
<b>Net cash from operating activities</b>		<b>30,713,365</b>	<b>51,165,554</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investment property	10	(48,000,000)	(22,608,840)
Projects in progress		(14,580,305)	-
Real estate assets improvement	10	(909,378)	(20,895)
<b>Net cash used in investing activities</b>		<b>(63,489,683)</b>	<b>(22,629,735)</b>
<b>FINANCING ACTIVITIES</b>			
Payment of lease liability	9	(1,312,500)	(1,876,200)
Islamic financing		63,549,999	21,998,772
Dividends paid		(38,049,400)	(39,276,800)
<b>Net cash generated from / (used in) financing activities</b>		<b>24,188,099</b>	<b>(19,154,228)</b>
<b>Net change in cash and cash equivalents</b>		<b>(8,588,219)</b>	<b>9,381,591</b>
Cash and cash equivalents at the beginning of the		43,635,850	34,254,259
<b>Cash and cash equivalents at the end of the year</b>		<b>35,047,631</b>	<b>43,635,850</b>

The accompanying notes 1 to 29 form an integral part of these financial statements.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(Amounts in SAR)

#### **1) THE FUND AND ITS ACTIVITIES**

AL-MAATHER 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 Capital Market Authority (CMA). The REIT is listed on the Tadawul and units of the REIT are traded on the Tadawul in accordance with its rules and regulations. The number of the fund's units is 61,370,000 units. The REIT has a term of 99 years, which is extendable at 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), where by, the ownership of real estate investments and Leasehold contracts 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 CMA, 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**

##### ***3-1) statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards “IFRS” that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization of Certified Public Accountants (“SOCPA”).

As required by the Capital Market Authority (“CMA”) through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the properties and equipment, investment properties, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

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

1. Obligor listed companies to continue to use the cost model to measure Properties (IAS 16) and Investment Properties (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022; and
2. Allowing listed companies, the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2020**

(Amounts in SAR)

#### **3) BASIS OF PRESENTATION (CONTINUED)**

##### **3-2) *Basis of measurement***

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

##### **3-3) *functional and presentation currency***

These financial statements have been presented in Saudi Arabian Riyals (SAR), which is also the functional currency of the Fund. All financial information has been rounded off to the nearest SAR, 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-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(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) Impairment of non-financial assets “Value in use calculation”***

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 of disposal and its value in use. The fair value less costs of disposal 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 of 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 next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the assets 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. These estimates are most relevant to property recognized by the Fund.

***4.6) 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.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(Amounts in SAR)

**5) SIGNIFICANT ACCOUNTING POLICIES****5-1) *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.. 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%

**5-2) *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.

**5-3) *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.

**5-4) *Leasehold Contracts***

Leasehold 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.

**5-5) *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 Leasehold 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.

***Murabaha income***

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

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(Amounts in SAR)

#### **5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **5-6) *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 Leasehold and the value of which can be reliably measured. Provisions is not recognised for future operating loss.

##### **5-7) *Dividend distribution***

Dividend income is recognized when the right to receive is established. It reflects as a component of net trading income, net income from FVTPL investments, financial instruments or any other operating income based on the basic classification of equity instruments.

##### **5-8) *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.

##### **5-9) *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 the statement of the comprehensive income. Any differences between the component provision and the final assessment are recorded in the year in which the final assessment is approved.

##### **5-10) *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.

##### **5-11) *Financial instruments***

###### ***Recognition and initial measurement***

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

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

###### ***Financial assets***

###### ***Classification of financial assets***

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

A financial asset is measured at **amortized cost** if it meets both of the following conditions:

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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**5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****5-11) Financial instruments (continued)**

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

A financial asset shall be measured at **FVTOCI** if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

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

***Financial assets at fair value through profit or loss***

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

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

**Financial assets**  
Cash and cash equivalents  
Rent receivable, net

**IFRS 9 classification**  
Amortized cost  
Amortized cost

***Subsequent measurement***

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Fund has no such investments.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. The Fund has no such investments.

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**5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Reclassifications***

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

***Derecognition***

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, and either:
  - (a) the Fund has transferred substantially all the risks and rewards of the asset, or
  - (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

***Impairment of financial assets***

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

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

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

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

**5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Expected credit loss assessment:**

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

- financial assets measured at amortised cost

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

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

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

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

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

***Model and Framework***

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

**Macroeconomic weighted average scenarios**

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

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

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#### **5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Portfolio segmentation**

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

##### **Definition of default**

In the above context, the Fund considers default when:

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

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

##### **Specific provision**

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

##### **Write-off**

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

##### **Financial liabilities**

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

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

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

##### **Financial liabilities**

Islamic financing  
Management accrual fees and other

##### **IFRS 9 classification**

Amortized cost  
Amortized cost

##### **Derecognition**

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

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**5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Modifications of financial assets and financial liabilities******Financial assets***

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

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

***Financial liability***

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

***Offsetting of financial instruments***

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

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

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

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**5) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****A) Leasing**

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.

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.

**6) CASH AND CASH EQUIVALENTS**

	31 December 2020	31 December 2019
Cash at banks	27,047,631	12,635,850
Murabaha Placemats with Original of three months or less	8,000,000	31,000,000
	35,047,631	43,635,850

\* Murabaha Placemats with Saudi Faransi and Samba Bank. The deposit is placed for a period ranging from one day to three months and earn special commission.

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**7) Rent receivable, net**

	31 December 2020	31 December 2019
Operating lease Receivable	24,578,875	17,693,058
Provision for expected credit losses	(12,431,044)	(1,000,000)
	<u>12,147,831</u>	<u>16,693,058</u>

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

	31 December 2020	31 December 2019
Balance at the beginning of the year	1,000,000	-
Charge during the year	11,431,044	1,000,000
Balance at the end of the year	<u>12,431,044</u>	<u>1,000,000</u>

**Overdue and impaired value**

Year	Net	Provision for expected credit losses	Total	From 1 to 90 days	From 91 to 180 days	From 181 to 270 days	From 271 to 365 days	More than 366 Days
31/12/2020	12,147,831	(12,431,044)	24,578,875	6,483,786	2,838,576	2,889,181	818,940	11,548,392
31/12/2019	16,693,058	(1,000,000)	17,693,058	7,646,796	2,211,657	2,092,013	900,138	4,842,453

**8) LEASEHOLD CONTRACTS**

	31 December 2020	31 December 2019
Balance at the beginning of the year	8,041,114	9,447,714
Additions	292,667	20,895
Amortization	(1,446,685)	(1,150,178)
Impairment	(15,350)	(277,317)
Balance at the end of the year	<u>6,871,746</u>	<u>8,041,114</u>

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

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

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**9) Right of use assets**

The statement of financial position shows the following amounts related to the lease contracts:

	<b>31 December 2020</b>
<b><u>Right of use assets</u></b>	
Balance as of 1 January 2020	7,491,726
Additions	-
Balance as of 31 December 2020	7,491,726
<b><u>Accumulated Depreciation</u></b>	
Balance as of 1 January 2020	1,120,523
Charge during the year	1,124,422
Balance as of 31 December 2020	2,244,945
<b>Book Value as of 31 December 2020</b>	<b>5,246,781</b>
Book Value as of 31 December 2019	6,371,203

	<b>31 December 2020</b>	31 December 2019
<b><u>Lease liabilities on right of use assets</u></b>		
Balance as of 1 January 2020	6,058,809	7,491,726
Additions	-	-
Charge during the year	388,000	443,284
Deduct: Rent payments during the year	(1,312,500)	(1,876,200)
Balance as of 31 December 2020	5,134,309	6,058,809
 Current portion shown under the current liabilities	 554,500	 424,500
Non-current portion shown under the non-current liabilities	4,579,809	5,634,310
	5,134,309	6,058,809

**The amounts recognized in the statement of comprehensive (loss) / income**

The statement of profit or loss shows the following amounts related to the leases:

	<b>31 December 2020</b>	31 December 2019
Finance cost	388,000	443,284
Depreciation expense	1,124,422	1,120,523

The weighted average additional borrowing rate applicable to the lease liabilities on 31 December 2020 was 7%. (31 December 2019 at 7%).

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**10) INVESTMENTS PROPERTIES**

	<b>Land</b>	<b>Building</b>	<b>Furnitures</b>	<b>Total</b>
<b><u>Cost</u></b>				
Balance as at 31 December 2019	280,609,019	308,932,205	8,900,507	<b>598,441,731</b>
Additions	19,856,700	28,902,286	150,391	<b>48,909,377</b>
Increase / impairment*	(8,781,401)	(7,541,053)	(268,025)	<b>(16,590,479)</b>
<b>Balance as at 31 December 2020 (Audit)</b>	<b>291,684,318</b>	<b>330,293,438</b>	<b>8,782,873</b>	<b>630,760,629</b>

**Accumulated Depreciation**

Balance as at 31 December 2019	-	24,791,769	3,123,832	<b>27,915,601</b>
Charge during the year	-	11,706,220	1,345,990	<b>13,052,210</b>
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>36,497,989</b>	<b>4,469,822</b>	<b>40,967,810</b>

**Net Book Value:**

<b>Balance as at 31 December 2020</b>	<b>291,684,318</b>	<b>293,795,449</b>	<b>4,313,051</b>	<b>589,792,818</b>
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	<b>Land</b>	<b>Building</b>	<b>Furnitures</b>	<b>Total</b>
<b><u>Cost</u></b>				
Balance as at 31 December 2018	274,368,142	296,113,824	8,743,937	<b>579,225,903</b>
Additions	8,702,023	13,756,054	150,763	<b>22,608,840</b>
Increase / impairment*	(2,461,146)	(937,673)	-	<b>(3,398,819)</b>
<b>Balance as at 31 December 2019</b>	<b>280,609,019</b>	<b>308,932,205</b>	<b>8,894,700</b>	<b>598,435,924</b>

**Accumulated Depreciation**

Balance as at 31 December 2018 (Audit)	-	14,243,115	1,803,316	<b>16,046,431</b>
Charge during the year	-	10,548,654	1,314,709	<b>11,863,363</b>
<b>Balance as at 31 December 2019</b>	<b>-</b>	<b>24,791,769</b>	<b>3,118,025</b>	<b>27,909,794</b>

**Net Book Value:**

<b>Balance as at 31 December 2019</b>	<b>280,609,019</b>	<b>284,140,436</b>	<b>5,776,675</b>	<b>570,526,130</b>
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**10) INVESTMENTS PROPERTIES (continued)**

This represents eleven properties; as following:

- Genx Al Maather is a commercial, residential and office property located in Prince Turki Bin Abdul Aziz Al Awal Road in Al Maather. This property is located in Riyadh
- Genx Al Rabie : is a commercial property "hotel units" located in the road of Prince Saud bin Mohammed bin Muqrin in al rabee district. This property is located in Riyadh.
- Al-Mohammadia: 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.
- Al Tkahssusi showrooms : is a commercial property located in Al Takhasusi Street in Al-Maather district. This property is located in Riyadh.
- Al Sahafa 1: is a commercial office located in Olaya street in Alsahafa district, located in the Riyadh.
- Al Sahafa 2: is an office property located in Olaya street in Alsahafa district. The property is located in Riyadh.
- Al hair 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.
- Al Noukhba Educational Schools: An educational property located in Al-Fahd neighborhood road in Unaizah city, where this property was purchased during this year.
- Al Salam Schools: A land of educational real estate under construction located in Al Salam district of Riyadh city, where this property was purchased during this year.

The Fund transferred the ownership of AlSahafa 1, AlSahafa 2 and Muhammadiyah to the Al-Rajhi Banking Investment Corporation, a wholly owned subsidiary of Al-Rajhi Bank, as a guarantee in the amount of SR86 million in exchange for the Islamic facility obtained from the bank. The book value of AlSahafa 1, AlSahafa 2 and Muhammadiyah is 189 million Saudi riyals as at the date of the report. (Note 15).

The market value of real estate was determined by accredited valuers upon evaluation according to an appraisal system in line with the international valuation standards of the International Valuation Standards Board. The assumptions used in determining the fair value of investment properties are as follows:

**Resident: Valustrat**

Type	Evaluation method	Market value	
		31 December 2020	31 December 2019
Genx Al Maather	Discounted cash flow	135,000,000	179,629,412
Genx Al Rabie	Discounted cash flow	30,000,000	44,365,447
Al Mohammadia	Discounted cash flow	98,000,000	97,449,813
Al Tkahssusi showrooms	Discounted cash flow	58,000,000	55,515,625
Al Sahafa building 1	Discounted cash flow	51,000,000	51,212,909
Al Sahafa building 2	Discounted cash flow	55,000,000	55,456,250
Al Hair warehouses	Discounted cash flow	15,500,000	16,250,000
Al Sulai warehouses	Discounted cash flow	37,500,000	55,235,500
Tolan Hotel Suites	Discounted cash flow	22,000,000	22,000,000
Al Noukhba Educational Schools	Discounted cash flow	30,500,000	-
Al Salam Schools	Discounted cash flow	40,000,000	-
		<b>572,500,000</b>	<b>577,114,956</b>

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**10) INVESTMENTS PROPERTIES (continued)****Resident: Areab**

Type	Evaluation method	Market value	
		31 December 2020	31 December 2019
Genx Al Maather	Discounted cash flow	<b>168,580,053</b>	187,325,326
Genx Al Rabie	Discounted cash flow	<b>44,649,989</b>	53,167,299
Al Mohammadia	Discounted cash flow	<b>96,496,401</b>	92,908,923
Al Tkahssusi showrooms	Discounted cash flow	<b>50,979,529</b>	46,153,555
Al Sahafa building 1	Discounted cash flow	<b>47,369,278</b>	48,806,757
Al Sahafa building 2	Discounted cash flow	<b>51,873,791</b>	53,362,065
Al Hair warehouses	Discounted cash flow	<b>20,697,613</b>	20,762,405
Al Sulai warehouses	Discounted cash flow	<b>52,975,901</b>	49,884,581
Tolan Hotel Suites	Discounted cash flow	<b>23,330,814</b>	22,308,079
Al Noukhba Educational Schools	Discounted cash flow	<b>28,740,288</b>	-
Al Salam Schools	Discounted cash flow	<b>40,670,228</b>	-
		<b>626,363,885</b>	574,678,990

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**10) INVESTMENTS PROPERTIES (CONTINUED)**

For the purpose of assessing impairment, the value in use of investment properties has been determined by accredited valuers from a valuation in accordance with the guidance provided in IAS 36 "Impairment of Assets". Whereas the book value exceeds the recoverable value (the higher of fair value less costs of sale and value in use), the fund has been recognized impairment of assets in the current year amounted by SR 16million using the following assumptions:

**Resident: Insights**

Type	Key assumptions	Recoverable value	
		31 December 2020	31 December 2019
Genx Al Maather	Weighted average cost of capital: 8.05% (2019: nil) Final capitalization rate: 8,75% (2019: none)	170,936,430	-
Genx Al Rabie	Weighted average cost of capital: 8.05% (2019: nil) Final capitalization rate: 8,5% (2019: none)	41,031,349	-
Al Mohammadia	Weighted average cost of capital: 8.26% (2019: nil) Final capitalization rate: 8,5% (2019: none)	97,248,201	-
Al Tkahssusi showrooms	Weighted average cost of capital: 7.18% (2019: nil) Final capitalization rate: 9% (2019: none)	56,691,452	-
Al Sahafa building 1	Weighted average cost of capital: 7.61% (2019: nil) Final capitalization rate: 8,5% (2019: none)	52,999,313	-
Al Sahafa building 2	Weighted average cost of capital: 7.61% (2019: nil) Final capitalization rate: 8,5% (2019: none)	53,436,896	-
Al Hair warehouses	Weighted average cost of capital: 8.05% (2019: nil) Final capitalization rate: 10% (2019: none)	18,098,807	-
Al Sulai warehouses	Weighted average cost of capital: 8.05% (2019: nil) Final capitalization rate: 9.5% (2019: none)	45,626,385	-
Tolan Hotel Suites	Weighted average cost of capital: 10.5% (2019: nil) Final capitalization rate: 10,5% (2019: none)	24,602,106	-
Al Noukhba Educational Schools	Weighted average cost of capital: 7.61% (2019: nil) Final capitalization rate: 8,5% (2019: none)	32,110,939	-
Al Salam Schools	Weighted average cost of capital: 7.61% (2019: nil) Final capitalization rate: 8,5% (2019: none)	40,335,114	-
		<b>633,116,992</b>	<b>-</b>

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**11) 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 Leasehold contracts are determined by two selected appraisers **Areab Company for Real Estate Appraisal, Real Estate Valuation Expert Office (Valustrat)**. The valuation of the investment properties, Leasehold contracts are as follows:

As at 31 December 2020	Areab Company for Real Estate Appraisal	Real Estate Valuation Expert Office (Valustrat)	Average
Investment properties (Note 10)	626,363,885	572,500,000	599,431,943
Leasehold Contracts	4,256,795	9,500,000	6,878,398
<b>Total</b>	<b>630,620,680</b>	<b>582,000,000</b>	<b>606,310,340</b>
As at 31 December 2019	Areab Company for Real Estate Appraisal	Real Estate Valuation Expert Office (Valustrat)	Average
Investment properties (Note 10)	574,678,990	577,114,956	575,896,973
Leasehold Contracts	6,865,160	14,250,000	10,557,580
<b>Total</b>	<b>581,544,150</b>	<b>591,364,956</b>	<b>586,454,553</b>

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

The investment properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using unobservable inputs, including the financial analysis, cost method income approach and discounted cash flows. The following is an analysis of the fair value of real estate investments against cost.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Estimated fair value of investment properties and Leasehold contracts based on the average of the two valuers used	606,310,340	586,454,553
Less: the carrying value of investment properties	(589,792,818)	(570,526,130)
Projects under construction	(14,580,350)	-
Leasehold Contracts	(6,871,746)	(8,041,114)
Estimated fair value (Decrease) / increase of book value	(4,934,529)	7,887,309
Units in issue (numbers)	61,370,000	61,370,000
Additional value per unit based on fair value	(0.08)	0.13

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**11) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED(CONTINUED)***Net asset attributable to unitholders:*

	<u>31 December 2020</u>	<u>31 December 2019</u>
Net assets attributable to unitholders as per the financial statements before fair value adjustment	549,405,253	594,819,654
Estimated fair value deficit of book value	(4,934,529)	7,887,309
Net assets attributable to unitholders based on fair valuation of investment properties and Leasehold contracts	544,470,724	602,706,963

*Net asset attributable to each unit:*

	<u>31 December 2020</u>	<u>31 December 2019</u>
Book value per unit as per the financial statements before fair value adjustment	8.95	9.69
Additional value per unit based on fair value	(0.08)	0.13
Net assets attributable to each unit based on fair valuation	8.87	9.82

**12) PREPAYMENTS AND OTHER ASSETS**

	<u>31 December 2020</u>	<u>31 December 2019</u>
VAT	4,430,272	813,901
Other	687,069	357,736
Operational custody	30,463	32,205
Commission income accrued	1,111	105,298
	5,148,916	1,309,139

**13) ACCRUED EXPENSES AND OTHER LIABILITY**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Advance from customers	3,832,546	380,333
Accrual finance cost	2,644,884	305,486
Refundable Deposit – Customer	1,219,897	1,736,290
Accruals to suppliers	273,946	169,609
Accrued properties management expenses	235,703	735,567
Other	104,193	29,436
Allowance to attend the members of the BOD	45,000	48,000
Accruals to previous owners	-	334,959
	8,356,169	3,739,680

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**14) 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.

**15) ISLAMIC FINANCING**

	31 December 2020	31 December 2019
Balance at the beginning of the year	21,998,772	-
Movement during the year	63,549,999	21,998,772
Balance at the end of the year	85,548,771	21,998,772

During the year 2019, the Fund obtained an Islamic financing facility amounting to 21.9 million Saudi riyals from Al-Rajhi Bank to finance the purchase of a Tolan property in Al-Khobar. The Fund transferred the title deed of the Al Mohammadia property in favor of Al-Rajhi Banking and Investment Corporation as a guarantee against the Islamic financing facility, maturity date of the loan 2024 (Note 10)

During the year 2020, the fund obtained an Islamic financing facility worth 63.5 million Saudi riyals from Al-Rajhi Bank to finance the purchase of Elite and Peace schools in Riyadh. The Fund transferred the title deed of Al Sahafa 1 and Al Sahafa 2 in favor of Al-Rajhi Banking and Investment Corporation, as a guarantee against the Islamic financing facility, maturity date of the loan 2025 (Note 10)

**16) UNEARNED RENTAL INCOME**

	31 December 2020	31 December 2019
Balance at the beginning of the year	17,513,556	19,733,430
Rental income received during the year (note 18)	(53,510,833)	(53,293,385)
Rental income earned during the year	53,289,805	51,073,511
Balance at the end of the year	17,292,528	17,513,556

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**17) Zakat**

Zakat base as follows:

	31 December 2020	31 December 2019
Net Adjusted Income	23,569,197	27,650,451
<b>Add:</b>		
Unit Net Value (beginning)	594,819,654	612,698,986
Provisions	27,767,023	24,500,409
Lease liability	5,765,852	6,058,809
Loans	85,548,771	7,271,800
<b>Deduct:</b>		
Dividends paid	(38,049,400)	(39,276,800)
Real estate investments	(604,373,123)	(570,526,130)
Lease hold Contract	(6,871,746)	-
Right-of-use assets	(5,246,781)	(6,371,203)
Zakat base	82,929,449	62,006,323
Zakat on net Adjusted Income	589,230	691,261
Zakat on remaining Zakat base	1,530,119	885,586
<b>Total Zakat</b>	<b>2,119,349</b>	<b>1,576,847</b>

Zakat provision movement is as follows:

	31 December 2020	31 December 2020
Balance at the beginning of the year	1,576,847	-
Provided during the year	2,119,349	1,576,847
Other adjustments	(631,543)	-
Paid during the year	(945,304)	-
<b>Balance at the end of the year</b>	<b>2,119,349</b>	<b>1,576,847</b>

**18) RENTAL INCOME**

	31 December 2020	31 December 2019
Real estate investment rental income	50,503,347	50,297,838
Leasehold contract rental income	3,007,486	2,995,547
	53,510,833	53,293,385
Discount on rents	(2,245,103)	-
	51,265,730	53,293,385

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**19) OTHER EXPENSES**

	31 December 2020	31 December 2019
New real estate acquisition expenses	458,283	-
Trading expenses and a deposit center	583,312	785,227
Appraisal expenses, consulting and professional fees	410,313	512,083
Finance cost and loan fee	44,451	478,750
Allowance to attend the members of the BOD	45,000	57,000
Property insurance	124,436	143,751
Bank charge	16,095	4,176
Other	48,002	18,585
	<b>1,729,892</b>	<b>1,999,572</b>

**20) 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	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Osool & Bakheet Company	Fund management fee and other*	4,287,661	4,302,963	(979,648)	(869,174)
zawyat alma’athar. for real estate – unitholder and Board member (previous owner)	Takhasusi Real estate development	-	-	670,000	(334,959)
Madad Alkhair for real estate	Management property	2,344,964	2,201,304	(235,703)	(674,759)
Board of Directors	Attendance allowance*	45,000	57,000	(45,000)	(48,000)

\* Board attendance allowances are included in the financial position under Accrued expenses and other liability.

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**21) SEGMENT REPORTS**

The following is a summary of the financial position and financial performance of these sectors:

**For the year ended 31 December 2020**

	Offices	Hotel Suites	Galleries	Warehouses	Schools	Others	Unallocated	Total
Operating revenue	18,035,308	13,488,189	11,082,021	5,339,373	3,160,826	160,014	72,075	51,265,730
Other income								72,075
<b>Total Revenue</b>	<b>18,035,308</b>	<b>13,488,189</b>	<b>11,082,021</b>	<b>5,339,373</b>	<b>3,160,826</b>	<b>160,014</b>	<b>72,075</b>	<b>51,337,805</b>
Direct operation expenses	(536,566)	(3,888,279)	(1,054,307)	(392,000)	(1,740,338)	(70,239)		(7,681,731)
Indirect operation expenses							(7,290,170)	(7,290,170)
Provision for expected credit loss	(856,469)	(7,404,421)	(2,908,665)	(257,554)	0	(3,935)		(11,431,044)
<b>Total Expenses</b>	<b>(1,393,035)</b>	<b>(11,292,700)</b>	<b>(3,962,972)</b>	<b>(649,555)</b>	<b>(1,740,338)</b>	<b>(74,174)</b>	<b>(7,290,170)</b>	<b>(26,402,944)</b>
<b>Operating gross profit</b>	<b>16,642,272</b>	<b>2,195,489</b>	<b>7,119,049</b>	<b>4,689,818</b>	<b>1,420,488</b>	<b>85,839</b>	<b>(7,218,095)</b>	<b>24,934,861</b>
Depreciation, amortization, gain or impairment loss	(6,753,183)	(12,642,805)	(6,081,885)	(4,495,492)	(801,891)	(36,800)		(30,812,057)
<b>Net profit before zakat</b>	<b>9,889,090</b>	<b>(10,447,317)</b>	<b>1,037,163</b>	<b>194,326</b>	<b>618,596</b>	<b>49,041</b>	<b>(7,218,095)</b>	<b>(5,877,195)</b>

**For the year ended 31 December 2019**

	Offices	Hotel Suites	Galleries	Warehouses	Schools	Others	Unallocated	Total
Operating revenue	19,656,398	14,735,590	13,079,840	5,635,997	0	185,561	281,255	53,293,385
Other income								281,255
<b>Total Revenue</b>	<b>19,656,398</b>	<b>14,735,590</b>	<b>13,079,840</b>	<b>5,635,997</b>	<b>0</b>	<b>185,561</b>	<b>281,255</b>	<b>53,574,640</b>
Direct operation expenses	(658,405)	(3,143,405)	(1,122,975)	(378,995)	0	(90,066)	0	(5,393,845)
Indirect operation expenses							(7,516,804)	(7,516,804)
Provision for expected credit loss		(1,000,000)						(1,000,000)
<b>Total Expenses</b>	<b>(658,405)</b>	<b>(4,143,405)</b>	<b>(1,122,975)</b>	<b>(378,995)</b>	<b>0</b>	<b>(90,066)</b>	<b>(7,516,804)</b>	<b>(13,910,650)</b>
<b>Operating gross profit</b>	<b>18,997,993</b>	<b>10,592,185</b>	<b>11,956,865</b>	<b>5,257,001</b>	<b>0</b>	<b>95,495</b>	<b>(7,235,549)</b>	<b>39,663,991</b>
Depreciation, amortization, gain or impairment loss	(5,383,411)	(3,421,307)	(3,346,754)	(4,496,119)	0	(42,085)	0	(16,689,676)
<b>Net profit before zakat</b>	<b>13,614,583</b>	<b>7,170,878</b>	<b>8,610,111</b>	<b>760,883</b>	<b>0</b>	<b>53,410</b>	<b>(7,235,549)</b>	<b>22,974,315</b>

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**22) 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	31 December 2020	31 December 2019
Cash and cash equivalents	6	35,047,631	43,635,850
Rent receivable, net		12,147,831	16,693,058

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.

**Maturity profiles**

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

	31 December 2020		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalent	35,047,631	-	35,047,631
Rent receivable	12,147,831	-	12,147,831
Prepayments and other assets	5,148,916	-	5,148,916
Leasehold Contracts, net	6,871,746	-	6,871,746
Right-of-use assets	-	5,246,781	5,246,781
Investment properties	14,580,305	589,792,818	604,373,123
<b>Total assets</b>	<b>973,796,42</b>	<b>595,039,599</b>	<b>668,836,028</b>
Accrued expenses and other liabilities	8,356,169	-	8,356,169
Unearned rental income	17,292,528	-	17,292,528
Management accrual fees and other	979,649	-	979,649
Lease liability on right of use assets	554,500	4,579,809	5,134,309
Islamic financing		85,548,771	85,548,771
Zakat provision	2,119,349	-	2,119,349
<b>Total liabilities</b>	<b>29,302,195</b>	<b>90,128,580</b>	<b>119,430,775</b>

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**22) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)*****Maturity Profiles (continue)***

	31 December 2019		
	Less than 1 year	More than 1 year	Total
Cash and cash equivalent	43,635,850	-	43,635,850
Rent receivable	16,693,058	-	16,693,058
Prepayments and other assets	1,309,139	-	1,309,139
Leasehold 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
<b>Total assets</b>	<b>69,679,161</b>	<b>576,897,333</b>	<b>646,576,494</b>
Accrued expenses and other liabilities	3,739,680	-	3,739,680
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	-	21,998,772	21,998,772
Zakat provision	1,576,847	-	1,576,847
<b>Total liabilities</b>	<b>24,123,758</b>	<b>27,633,082</b>	<b>51,756,840</b>

***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.

**23) FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 Leasehold 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.

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**24) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS.**Amendments

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

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

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

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**24) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)****New and revised standards and interpretations that are not yet effective**

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

Amendments to standards	Description	Apply for years beginning on or after	Summary on the amendment
IFRS 16, 4, 7, 9 and IAS 39	Interest Rate Index Fix - Stage 2	1 January 2021	These amendments amend the specific hedge accounting requirements to allow hedge accounting to continue for the affected hedge during the period of uncertainty prior to modification of hedging items or hedging instruments affected by current interest rate standards as a result of standard reforms to ongoing interest rates. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Unfair contracts - the cost of completing the contract	1 January 2022	The amendments specify that the "cost of fulfilling" the contract includes "the costs that are directly related to the contract." These amendments apply to contracts in which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 1, 9, 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022	IFRS 16: The amendment removes the reimbursement fee for leasehold improvements  IFRS 9: The amendment clarifies that when applying the "10 percent" test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment must be applied prospectively to modifications and exchanges that occur on or after the date on which the entity first applies the amendment.  IAS 41: The amendment eliminates the requirement of IAS 41 for entities to exclude tax cash flows when measuring fair value
IAS 16	Property, plant and equipment: proceeds before Intended use	1 January 2022	The adjustments prohibit deducting from the cost of any item of property, plant and equipment any proceeds from the sale of items produced before that asset becomes available for use. In addition, the modifications also clarify the meaning of "testing whether the asset is working properly"
IFRS 3	An indication of the conceptual framework	1 January 2022	The amendment as a whole has been updated to IFRS 3 to refer to the conceptual framework for the year 2018 instead of the 1989 framework.

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**24) NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (continued)****New and revised standards and interpretations that are not yet effective (continued)**

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

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

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

**25) THE IMPACT OF THE CORONAVIRUS (Covid-19) OUTBREAK**

The Fund's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Fund is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak have caused to its operations and financial performance. As of 31 December 2020, the Fund has recorded impairment loss on account of investment properties amounting to SR 16 million. Further, the Fund has also assessed the ability of its lessees to pay the rents relating to the period impacted by COVID-19 outbreak. As a result, the Fund has given discounts to its lessees against the lease rentals amounting to SR 2 million.

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

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded – Closed Ended Fund

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

(Amounts in SAR)

**26) 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 2019 to SAR 0.62 per unit totalling SAR 38,049,400. It paid in March 2020 and dividends were distributed for the period (31 December 2018: 39,276,800 Saudi riyals) and were paid in March 2019.

**27) SUBSEQUENT EVENTS**

1. On 11 February 2021, the Fund announced the pledge of the title deeds of two real estate, namely Maared Al-Takhasusi and Al-Rabie Genx Real Estate, in favor of Al-Rajhi Banking and Investment Corporation, as a guarantee of credit facilities. As no part of these facilities has been withdrawn until now, confirming that there are no related parties in this deal.
2. On 14 March 2021, Osool & Bakheet would like to clarify that the latest update related to the claim case against the "Gulf ELCON Company for Trading and Contracting" at General Court of Riyadh, where the judicial department issued a trial judgment obligate the tenant to pay SAR 4.250 Million worth (Four Million Two Hundred fifty Thousand Saudi Riyal) from the remaining rent on the defendant for one year and nine months period, as consequence the tenant has appealed the trial judgment then transmit the case to the Court of Appeal in Riyadh to initiate on it and contemplation the trial vision of the decision handed down by the judicial department based on the observations given by the Court of Appeal directed to judicial department. The judge had decided on Tuesday 25/07/1442H corresponding to 09/03/2021G it's not appear to him what could impact on his previous trial judgment therefore he ordered retransmit the case to the Court of Appeal to proceed on it without any change on the previous trial. The progress of the trial is still pending waiting the final judgment, therefore the resulting impact will be determined, because the judgment didn't acquire deterministic character, the fund manager will announce any update regarding to this trial.
3. On 15 March 2021, the Fund Board approved to pay a dividend of SR 23,934,300 million (SR 0.39 per unit) to Fund unitholders. The dividend will be paid subsequent to the period end.
4. Dated March 1, 2021, the CMA announced the approval of amendments to the Investment Funds Regulations and Real Estate Investment Funds Regulations and Glossary of Defined Terms Used in the Regulation (the "Amendments") with an effective date of May, 1, 2021. As of the date of approval of these financial statements, the Fund Manager is assessing the Amendments' impact on the Fund's financial statements.

**28) LAST VALUATION DAY**

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

**29) APPROVAL OF FINANCIAL STATEMENTS**

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