



RSM

شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund
Takes the form of a special-purpose entity
(Managed by Osool & Bakheet Investment Company)

**Interim condensed consolidated financial statements (unaudited)
and independent auditor's report on review
For the six months period ended at June 30, 2023**

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Interim condensed consolidated financial statements (unaudited) and independent auditor's report on review

For the six months period ended June 30, 2022

| <u>Index</u> | <u>Page</u> |
|---|--------------------|
| Independent auditor's report on review of the interim condensed consolidated financial statements | - |
| Interim condensed consolidated statement of financial position (unaudited) | 2 |
| Interim condensed consolidated statement of profit or loss and other comprehensive income (unaudited) | 3 |
| Interim condensed consolidated statement of changes in net assets attributable to unitholders (unaudited) | 4 |
| Interim condensed consolidated statement of cash flows (unaudited) | 5 |
| Notes to the interim condensed consolidated financial statements (unaudited) | 6 – 16 |



RSM

شركة ارس ام المحاسبون المتحدون للإستشارات المهنية

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Independent auditor's report on review of the interim condensed consolidated financial statements

To the unitholders
Al Maather REIT Fund
Closed-ended real estate investment traded fund
Takes the form of a special-purpose entity
(Managed by Osool & Bakheet Investment Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Maather REIT Fund (the "Fund"), which is managed by Osool & Bakheet Investment Company (the "Fund Manager") as at June 30, 2023 and the interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in net assets attributable to unitholders and interim condensed consolidated statement of cash flows for the six - month period then ended and the accompanying notes which are an integral part of these interim condensed consolidated financial statements. The Fund Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License No. 435

Riyadh, Kingdom of Saudi Arabia

23 Muharram 1445 (corresponding to 10 August 2023)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Interim condensed consolidated statement of financial position (unaudited)**As at June 30, 2023**

(Saudi Riyal)

| | <u>Note</u> | <u>30 June 2023 (unaudited)</u> | <u>31 December 2022 (audited)</u> |
|---|-------------|-------------------------------------|---|
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 6 | 687,332,235 | 681,543,170 |
| Capital works under construction | 8 | 943,977 | |
| Right to use assets | 9 | 3,297,241 | 3,614,743 |
| Leasehold contracts, net | 10 | 4,583,237 | 4,319,161 |
| Total non-current assets | | 696,156,690 | 689,477,074 |
| Current assets | | | |
| Due from related parties | 11 | 5,135,675 | - |
| Account receivables, net | 12 | 14,425,497 | 4,894,645 |
| Prepaid expenses and other assets | 13 | 3,189,523 | 2,391,064 |
| Cash and cash equivalent | 14 | 31,056,677 | 29,413,081 |
| Total current assets | | 53,807,372 | 36,698,790 |
| Total assets | | 749,964,062 | 726,175,864 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease obligations – non-current | 9 | 3,496,866 | 3,213,554 |
| Islamic facilities | 15 | 196,568,771 | 196,568,771 |
| Total non-current liabilities | | 200,065,637 | 199,782,325 |
| Current liabilities | | | |
| Lease obligations – current portion | 9 | 375,000 | 900,000 |
| Due to related parties | 11 | 1,091,049 | 1,448,473 |
| Accrued expenses and other liabilities | | 7,369,977 | 2,052,397 |
| Deferred income | | 11,618,095 | 9,976,554 |
| Accrued interest on Islamic facilities | 15 | 15,323,217 | 12,160,141 |
| Zakat provision | | - | 618,369 |
| Total current liabilities | | 35,777,338 | 27,155,934 |
| Total liabilities | | 235,842,975 | 226,938,259 |
| Unitholders' funds | | | |
| Net assets attributable to unitholders | | 514,121,087 | 499,237,605 |
| Units in issue (numbers) | | 61,370,000 | 61,370,000 |
| Assets book value attributable to unitholders | | 8.38 | 8.13 |
| Assets fair value attributable to unitholders | 7 | 10.27 | 10.11 |

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements(unaudited)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

**Interim condensed consolidated statement of profit or loss and other comprehensive income
(unaudited)****For the six-month period ending June 30, 2023**

(Saudi Riyal)

| | <u>Note</u> | For the six-month period ending June 30 | |
|---|-------------|--|-----------------------------|
| | | <u>2023 (Unaudited)</u> | <u>2022 (Unaudited)</u> |
| <u>Profit or loss</u> | | | |
| Revenue | | | |
| Rental Income | | 29,307,346 | 31,166,885 |
| Islamic Murabaha Deposit Commission Income | | 190,542 | 50,236 |
| Other income | | 37,603 | 27,500 |
| Total Revenue | | 29,535,491 | 31,244,621 |
| Expenses | | | |
| Leasehold contracts' rent expenses | | (317,502) | (317,502) |
| Real estate management expenses | | (1,758,620) | (1,807,830) |
| Fund management fees and others | 11 | (2,029,662) | (2,938,059) |
| Custodian fees | 11 | (99,178) | (130,111) |
| Banks facilities interest | | (3,163,076) | (2,697,204) |
| Properties management expenses | | (1,055,209) | (788,295) |
| Lease obligations financing charges | | (133,312) | (154,921) |
| Other expenses | | (913,242) | (962,862) |
| Total expenses | | (9,469,801) | (9,796,784) |
| Net income for the period | | 20,065,690 | 21,447,837 |
| Investment properties depreciation | 6 | (8,618,129) | (8,053,818) |
| Leasehold contracts amortization | 10 | (397,837) | (397,041) |
| Net change of provision for impairment in investment properties and benefit | 6 , 10 | 14,891,441 | (1,446,496) |
| Net profit for the period before zakat | | 25,941,165 | 11,550,482 |
| Zakat | | - | (1,307,121) |
| Net profit for the period | | 25,941,165 | 10,243,361 |
| <u>Other comprehensive income</u> | | | |
| Items not be reclassified subsequently to statement of profit or loss | | | |
| Currency translation differences | | (11,083) | (833,926) |
| Total comprehensive income for the period | | 25,930,082 | 9,409,435 |

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements(unaudited)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Interim condensed consolidated statement of changes in assets attributable to unitholders (unaudited)**For the six-month period ending June 30, 2023**

(Saudi Riyal)

| | For the six-month period ending June 30 | |
|--|--|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Net assets value attributable to unitholders, beginning of the period | 499,237,605 | 533,851,202 |
| Net income for the period | 25,941,165 | 10,243,361 |
| Other comprehensive income | (11,083) | (833,926) |
| Dividends paid | (11,046,600) | (34,980,900) |
| Net value of assets attributable to unitholders, end of the period | 514,121,087 | 508,279,737 |

Unit Transactions

Transactions in units during the period are summarized as follows:

| | For the six-month period ending June 30 | |
|--------------------------------------|--|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | Units | Units |
| Units at the beginning of the period | 61,370,000 | 61,370,000 |
| Units at the end of period | 61,370,000 | 61,370,000 |

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements(unaudited)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Interim condensed consolidated statement of cash flows (unaudited)**For the six-month period ending June 30, 2023**

(Saudi Riyal)

| | For the six-month period ending June 30 | |
|---|--|-----------------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Cash flows from operating activities | | |
| Net profit for the period before zakat | 25,941,165 | 11,550,482 |
| Adjustments to reconcile net income for the period to net cash generated from operating activities | | |
| Investment properties' depreciation | 8,618,129 | 8,053,818 |
| Leasehold contracts' amortization | 397,837 | 397,041 |
| Right of use assets depreciation | 317,502 | 317,502 |
| Lease obligations' financing charges | 133,312 | 154,921 |
| Bank's facilities interest | 3,163,076 | 2,697,204 |
| Net change of provision for impairment in investment | (14,891,441) | 1,446,496 |
| Currency translation differences | (11,083) | (833,926) |
| | 23,668,497 | 23,783,538 |
| Changes in operating assets and liabilities | | |
| Net change in related parties | (5,493,099) | (81,105) |
| Account receivables | (9,530,852) | (9,073,184) |
| Prepaid expenses and other assets | (798,459) | (2,381,413) |
| Accrued expenses and other liabilities | 5,317,580 | (711,591) |
| Deferred Revenue | 1,641,541 | 910,522 |
| Zakat paid | (618,369) | (4,861,833) |
| Net cash generated from operating activities | 14,186,839 | 7,584,934 |
| Cash flows from investing activities | | |
| Additions to Investment properties | (177,666) | (102,043,631) |
| Additions to Capital work in progress | (943,977) | (1,556,441) |
| Net cash used in investing activities | (1,121,643) | (103,600,072) |
| Cash flows from financing activities | | |
| Paid from lease obligations | (375,000) | (375,000) |
| Collected from bank facilities | - | 101,000,000 |
| Dividends paid | (11,046,600) | (34,980,900) |
| Net cash (used in) generated from financing activities | (11,421,600) | 65,644,100 |
| Net change in cash and cash equivalents | 1,643,596 | (30,371,038) |
| Cash at banks, beginning of the period | 29,413,081 | 51,387,387 |
| Cash at banks, at the end of the period | 31,056,677 | 21,016,349 |
| <u>Non-cash transactions</u> | | |
| Capitalized financing benefits on capital work in progress | - | 297,579 |
| Capital work in progress transferred to investment properties | - | 25,515,522 |

The accompanying notes (1) to (19) form an integral part of these interim condensed consolidated financial statements(unaudited)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited)

For the six-month period ended 30 June 2023

(Saudi Riyal)

1- The Fund and its activities

A- Al-Ma'ather REIT Fund (the "Fund"), managed by Osool and Bakheet Investment Company (the "Fund Manager") is a closed-ended real estate investment fund that operates in accordance with the real estate investment funds regulations and the regulations for real estate investment traded funds issued by the capital market authority. The Fund is traded in the Saudi Stock Exchange ("Tadawul") and its units are traded in accordance with the relevant laws and regulations.

The Fund aims to invest in real estate assets that can achieve periodic rental income from the Kingdom of Saudi Arabia and in accordance with the Fund's investment strategy and to distribute at least 90% of the Fund's net profits annually. The fund secondarily invests its assets in real estate development projects, in accordance with the restrictions specified in the Fund's strategy.

The Fund is managed by Osool and Bakheet Investment Company, a Closed joint stock Company under Commercial Registration No. 1010219805, dated Jumada Al-Ula 2, 1427 AH (corresponding to May 29, 2006) and licensed as an "authorized person" under the CMA license No. 08126-07 to engage in the activity of dealing as principal and agent. Management and custody in the securities business.

The Fund has appointed Alinma Investment Company (the "Custodian of Custody") to act as Custodian and Registrar of the Fund. Fees for custody and registrar services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager may also enter into agreements with other institutions to provide investment, custody or other administrative services on behalf of the Fund.

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

The terms and conditions of the Fund were issued on 18 Ramadan 1438H (corresponding to 13 June 2017), and during the year on 3 Dhu al-Qi'dah 1443H (corresponding to 2 June 2022), the Fund Manager made some amendments to the terms and conditions of the Fund, and the last update was on 8 Dhu al-Qi'dah 1444H (corresponding to 28 May 2023).

B- The Fund's capital is SAR 613,700,000, and the Fund's term is ninety-nine years starting from the date of listing the units in Tadawul, renewable for a similar period at the discretion of the Fund Manager and after obtaining the approval of the Capital Market Authority.

C- The interim condensed consolidated financial statements as at 30 June 20223 include the activities of the Fund and the following subsidiary (the Company and its subsidiaries are hereinafter referred to as the "Group").

| Subsidiary Company | Main Activity | Country | Ownership % | |
|------------------------------------|---|----------------------|--------------------------------|----------------------------------|
| | | | As at 30 June 2023 (unaudited) | As at 31 December 2022 (audited) |
| Rukn Al Maather Investment Company | The company's activities are in the purchase and sale of land and real estate | United Arab Emirates | 100% | 100% |

D- The Fund manager's address is as follows:

Osool & Bakheet Investment Company

Riyadh - King Fahd Road - Bahrain Tower - Mezzanine Floor

P.O.Box: 63762, Postal Code: 11526

Saudi Arabia Fund

2- Statutory Regulations

The Fund is governed by Investment Funds Regulations (the "Regulations"), issued by Capital Market Authority (CMA) on Dhul Hijjah 3, 1427 (corresponding to December 24, 2006), and as of Safar 6, 1438 (corresponding to November 6, 2016) to the new Investment Funds Regulations ("the amended Regulations") issued by CMA on Rajab 17, 1442 (corresponding to March 1, 2021), detailing requirements for all types of funds in the Kingdom of Saudi Arabia. The amended Regulations Effective starting from Ramadan 19, 1442 (corresponding to May 1, 2021). The Fund is also subject to the real estate investment Fund regulations issued by the Capital Market Authority.

Notes to the interim financial statements (unaudited) (continued)
For the six - month period ended at June 30, 2023
 (Saudi Riyal)

3- Basics of preparation

Statement of compliance

The accompanying consolidated condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" adopted in the Kingdom of Saudi Arabia.

The disclosure in these interim condensed consolidated financial statements is in accordance with the requirements of IAS 34 "Interim Financial Report", and these interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and must be read and combined with the audited annual financial statements of the Fund for the financial year ended 31 December 2022 (the last annual financial statements).

Basis of measurement

These Interim condensed consolidated financial statements are prepared accordance with historical cost principle, accrual basis of accounting and going concern concept, another basis is used if the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Chartered and Professional Accountants, as indicated in the significant accounting policies (note 5).

Functional currency

The interim condensed consolidated financial statements are presented in Saudi Riyals, is the functional and presentation currency, and are rounded to the nearest Saudi Riyal.

Accounting records

The Fund maintains regular accounting records on the computer and in Arabic.

Use of estimates and assumptions

In preparing the interim condensed consolidated financial statements, management made judgments, estimates, and assumptions that affect the application of accounting policies and amounts recorded in assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in the application of the Fund's accounting policies and the main sources of estimation uncertainty were the same as those in the last annual consolidated financial statements.

4- New standards and amendments to standards, interpretations and issued standards that have not yet been applied

The following table shows the latest changes to the standards that must be applied for annual periods beginning after January 1, 2023 and available for early application for annual periods beginning on January 1, 2023. The application of the following amendments to the current standards does not have any material impact on the interim condensed financial statements in the current period or previous periods and is not expected to have a significant impact in future periods.

Amendment to standards and issued standards and issued standards that have not yet applied which start on 1 January, 2023

| <u>Standards / Interpretations</u> | <u>Description</u> | <u>Effective from periods beginning on or after the following date</u> |
|---|--|---|
| Amendments to IAS 1 and IFRS 2 Practice Statement | Classification of liabilities as a current or non-current and Disclosure of accounting policies and the exercise of judgments regarding materiality. | January 1, 2023 |
| Amendments to IAS 8 | Definition of accounting estimates. | January 1, 2023 |
| Amendments to IAS 12 | Deferred tax relating to assets and liabilities arising from a single transaction. | January 1, 2023 |

Osool and Bakheet Parallel Market Fund
Open Investment fund
(Managed by Osool & Bakheet Investment Company)

Notes to the interim financial statements (unaudited) (continued)
For the six - month period ended at June 30, 2023
(Saudi Riyal)

4- New standards and amendments to standards, interpretations and issued standards that have not yet been applied (continued)

Amendment to standards and issued standards and issued standards that have not yet applied which start on 1 January, 2024

The following are the standards, interpretations and amendments that have been issued but not applied up to the date of issuance of the condensed interim financial statements. The Fund intends to apply these standards, as applicable, when they become effective.

| <u>Standards / Interpretations</u> | <u>Description</u> | <u>Effective from periods beginning on or after the following date</u> |
|------------------------------------|--|--|
| IFRS 16 | Classification of liabilities as a current or non-current and Disclosure of accounting policies and the exercise of judgments regarding materiality. | January 1, 2024 |
| IAS 1 | Classification of liabilities as current or noncurrent (Amendments to IAS 1) And | January 1, 2024 |
| IAS 1 | Non- current liabilities with covenants (amendments to IAS 1) | January 1, 2024 |
| IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Available for optional adoption / effective date deferred indefinitely |

5 -Significant accounting policies

The accounting policies applied in preparing the preliminary condensed financial statements are consistent with those used in preparing the annual financial statements of the Fund for the year ending on December 31, 2022. The results for the period ending on June 30, 2023 do not necessarily constitute an indication of the financial statements on December 31, 2023.

Zakat and income tax

On Jumada Al-Awwal 9, 1444 H (corresponding to December 3, 2022), Minister of Finance Decision No. 29791 was issued regarding the rules for collecting zakat from investors in investment funds. This decision resulted in the following:

- Requiring funds to register with the Zakat, Tax and Customs Authority for the purpose of zakat.
- Oblige the funds to maintain regular accounts based on audited financial statements.
- Requiring funds to submit information declarations to the Authority.
- The funds are not obligated to pay zakat, but the obligated are the shareholders (unit holders).
- The investor in the fund should pay tribute to his share in the fund in order for it to be deducted as an investment by his zakat declaration.
- This decision applies to fiscal years beginning on or after January 1, 2023.

AI MAATHER REIT FUND

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(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited) (continued)**For the six-month period ended 30 June 2023**

(Saudi Riyal)

5- Investment properties, net

A- This item consists of the following:

| As at 30 June 2023 (unaudited) | Land | Buildings | Furniture | Total |
|---|---------------------|---------------------|------------------|---------------------|
| Cost | | | | |
| Balance, beginning of period | 331,388,708 | 463,862,228 | 9,281,686 | 804,532,622 |
| Additions | - | 128,850 | 48,816 | 177,666 |
| Balance, end of period | 331,388,708 | 463,991,078 | 9,330,502 | 804,710,288 |
| Accumulated depreciation | | | | |
| Balance, beginning of period | - | 63,756,202 | 7,227,136 | 70,983,338 |
| Charge for the period | - | 7,918,007 | 700,122 | 8,618,129 |
| Balance, end of period | - | 71,674,209 | 7,927,258 | 79,601,467 |
| Net book value | | | | |
| Balance, beginning of period | (34,459,302) | (17,209,547) | (337,265) | (52,006,114) |
| Charge during the year | 9,580,660 | 4,613,845 | 35,023 | 14,229,528 |
| Balance, end of period | (24,878,642) | (12,595,702) | (302,242) | (37,776,586) |
| Net | 306,510,066 | 379,721,167 | 1,101,002 | 687,332,235 |
| As at 31 December 2022 (audited) | | | | |
| Cost | | | | |
| Balance, beginning of the year | 321,188,708 | 346,400,356 | 9,164,984 | 676,754,048 |
| Additions | 10,200,000 | 91,809,400 | 116,702 | 102,126,102 |
| Transferred from Capital work in progress | - | 25,652,472 | - | 25,652,472 |
| Balance, year-end | 331,388,708 | 463,862,228 | 9,281,686 | 804,532,622 |
| Accumulated depreciation | | | | |
| Balance, beginning of the year | - | 48,389,407 | 5,839,467 | 54,228,874 |
| Charge for the year | - | 15,366,795 | 1,387,669 | 16,754,464 |
| Balance, year-end | - | 63,756,202 | 7,227,136 | 70,983,338 |
| Net book value | | | | |
| Balance, beginning of the year | (36,024,465) | (19,692,419) | (388,099) | (56,104,983) |
| Charge for the year | 1,565,163 | 2,482,872 | 50,834 | 4,098,869 |
| Balance, year-end | (34,459,302) | (17,209,547) | (337,265) | (52,006,114) |
| Net | 296,929,406 | 382,896,479 | 1,717,285 | 681,543,170 |

B- Real estate investments consist of the following twelve properties:

- Genix Al-Maather: (A commercial, residential and office property located on Prince Turki bin Abdul Azi Road in Al-Maather neighborhood in Riyadh).
- Genex Al-Rabie : (represents a commercial property in "hotel units" located in King Fahd Bin Abdul Azi Road in the Olaya district of Riyadh).
- Mohammedia Tower: (represents commercial and office property located in King Fahd Bin Aziz Road in the Olaya district in Riyadh).
- Takhassusi Showrooms: (represents a commercial property located in Al-Takhassusi Street in Al-Maather district in Riyadh).
- Al Sahafa 1: (represents a commercial property located in Olaya Street in Al-Sahafa district in Riyadh)
- Al Sahafa 2: (represents a commercial property located in Olaya Street in Al-Sahafa district in Riyadh)
- Al-Ha'ir Warehouses: (represents warehouses and is located in the Al Masani' district in Riyadh).
- Al-Sulay warehouse: (represents warehouses and is located in Al-Khattab Street in Al-Sulay district in Riyadh).
- Tolan Hotel Suites: (represents hotel suites and is located in the Aqrabiya district in Al-Khobar).
- Elite Educational Schools: (An educational property located on Al Fahd district road in Unaizah city, where this property was purchased during 2021).
- Al-Salam Schools: (Land of an educational property located in Al-Salam district in Riyadh, where this property was purchased during 2021).
- Burjeel Property (Burjeel Hospital located in the United Arab Emirates - Emirate of Sharjah This property was purchased in February 2022.)

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited) (continued)**For the six-month period ended 30 June 2023**

(Saudi Riyal)

6- Investment properties (continued)

The market value of the properties has been determined by accredited valuers upon valuation in accordance with the International Valuation Standards Board in line with the International Valuation Standards Board, the assumptions used to determine the fair value of investment properties are as follows:

| Statement | Evaluation | Market Value | | | |
|---------------------------|-----------------------|-----------------------------------|--------------------|-------------------------------------|-------------|
| | | As at 30 June 2023 (unaudited) | | As at 31 December 2022 (audited) | |
| | | Tathmeen | White Cubes | Tathmeen | White Cubes |
| GENX Al-Maather | Discounted cash flows | 170,242,000 | 148,600,000 | 166,111,000 | 151,200,000 |
| GENX AL RABIE | Discounted cash flows | 39,692,000 | 45,000,000 | 39,755,000 | 40,660,000 |
| Mohammedia Tower | Discounted cash flows | 105,429,000 | 122,500,000 | 104,500,000 | 108,680,000 |
| Takhassusi Showrooms | Discounted cash flows | 67,666,000 | 73,200,000 | 67,072,000 | 66,540,000 |
| Al-Sahafa 1 | Discounted cash flows | 46,661,000 | 64,900,000 | 46,662,000 | 46,730,000 |
| Al-Sahafa 2 | Discounted cash flows | 53,586,000 | 60,600,000 | 52,293,000 | 57,550,000 |
| Al-Ha'ir Warehouses | Discounted cash flows | 18,932,000 | 19,500,000 | 17,402,000 | 19,720,000 |
| Al-Sulay Warehouse | Discounted cash flows | 42,983,000 | 56,600,000 | 42,984,000 | 47,090,000 |
| Tolan Hotel Suites | Discounted cash flows | 26,595,000 | 40,400,000 | 26,378,000 | 29,810,000 |
| Elite Educational Schools | Discounted cash flows | 29,278,000 | 35,100,000 | 29,278,000 | 37,640,000 |
| Al-Salam Schools | Discounted cash flows | 50,212,000 | 52,400,000 | 45,307,000 | 55,380,000 |
| Burjeel Hospital | Discounted cash flows | 116,474,000 | 118,900,000 | - | - |
| Total | | 767,750,000 | 837,700,000 | 637,742,000 | 661,000,000 |
| Average | | 802,725,000 | | 800,524,500 | |

The investment real estate is held in the name of "Beitak al Hafiz Real Estate Custody Company" ("One Person Company with Limited Liability") owned by Al Bilad Investment Company

Impact on net asset value (equity) if investment properties and leasehold contracts are measured at fair value.

According to Article 22 of the Investment Real Estate Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the Fund manager evaluates the Fund's assets with an average of two valuations by independent evaluators. As described in the Fund's Terms and Conditions, the net asset value (equity) is disclosed on the basis of available market value. However, in accordance with the Fund's accounting policies, real estate investments at cost less accumulated depreciation and impairment, if any, are included in these interim condensed consolidated financial statements. Consequently, the fair value is disclosed below for the purpose of obtaining information and is not calculated in the Fund's books.

The valuation of investment real estate ("Real Estate") has been determined by the Saudi Asset Valuation Company (Tathmeen) License No.1210000273 issued by the Ministry of Commerce and Investment on 4 Dhu Al-Qa'dah 1442 (corresponding to June 14, 2021) and the White Cubes Real Estate Appraisal Office (White Cubes) License No. 1210000474 issued by the Ministry of Commerce and Investment on 1 Shaaban 1437 (corresponding to May 5, 2016), and they are licensed by the Saudi Authority for Valuers Appointees ("Valuation"), the Fund manager used an average of two valuations for the purpose of disclosing the fair value of the property, the properties were evaluated taking into account a number of factors, including the size and type of property, and valuation methods that use many inputs that cannot be observed, these models include the land-plus-cost method, the residual value method, and the discounted cash flow method.

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited) (continued)**For the six-month period ended 30 June 2023**

(Saudi Riyal)

7- Impact on Net Asset Value (Equity) of Investment Properties and Leasehold Contracts are Measured at Fair Value (continued)

The following is the valuation of investment properties:

| As at 30 June 2023 (unaudited) | Country | Tathmeen | White Cubes | Average |
|---|--------------------|--------------------|--------------------|--------------------|
| Real Estate Investments Al | Saudi | | | |
| Maather REIT Fund | Arabia | 651,276,000 | 718,800,000 | 685,038,000 |
| Real Estate Investments Rukn Al | United Arab | | | |
| Maather | Emirates | 116,474,000 | 118,900,000 | 117,687,000 |
| Leasehold contracts | Saudi | 5,719,000 | 6,750,000 | 6,234,500 |
| | | 773,469,000 | 844,450,000 | 808,959,500 |
| As at 31 December 2022 (audited) | | | | |
| Real Estate Investments Al | | | | |
| Maather REIT Fund | Saudi Arabia | 642,230,000 | 726,560,000 | 684,395,000 |
| Real Estate Investments Rukn Al | United Arab | | | |
| Maather | Emirates | 115,509,000 | 116,750,000 | 116,129,500 |
| Leasehold contracts | Saudi Arabia | 6,452,000 | 6,676,000 | 6,564,000 |
| | | 764,191,000 | 849,986,000 | 807,088,500 |

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

Real estate investments and Leasehold contracts were valued taking into account a range of factors, including area and type of property, valuation methods using unobserved inputs including financial analysis, plot division, cost method, direct comparison method and residual value method.

| | 30 June 2023 (unaudited) | December 31, 2022 (audited) |
|--|-------------------------------------|--------------------------------|
| Estimated fair value of real estate investments based on the average of the two valuations | 808,959,500 | 807,088,500 |
| less | | |
| Book Value of Real Estate Investments | (687,332,235) | (681,543,170) |
| Book value of capital work under constructions | (943,977) | - |
| Book value of Leasehold contracts | (4,583,237) | (4,319,161) |
| Estimated fair value in increase/(decrease) book value | 116,100,051 | 121,226,169 |
| Issued Units (in number) | 61,370,000 | 61,370,000 |
| Additional unit value based on fair value | 1.89 | 1.98 |

Net Asset Value:

| | 30 June 2023 (unaudited) | December 31, 2022 (audited) |
|---|-------------------------------------|--------------------------------|
| Net value of assets (equity) attributable to unitholders as in interim condensed consolidated financial statements before adjustment for fair value | 514,121,087 | 499,237,605 |
| Increase of the estimated fair value over the book value | 116,100,051 | 121,226,169 |
| Net value of assets attributable to unitholders based on fair value of investment properties | 630,221,138 | 620,463,774 |

Net asset value per unit:

| | | |
|---|--------------|-------|
| Book value of assets attributable to the unit as in the interim condensed consolidated financial statements before adjustment of fair value | 8.38 | 8.13 |
| Add/(less) unit value based on fair value | 1.89 | 1.98 |
| Net assets attributable to the unit based on fair value | 10.27 | 10.11 |

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited) (continued)

For the six-month period ended 30 June 2023

(Saudi Riyal)

8- Capital works under construction

The following is the movement in the capital works under construction:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|--|---|--------------------------------------|
| Balance, beginning of period/year | - | 23,661,502 |
| Additions during period/year | 943,977 | 1,990,970 |
| Transferred to investment properties during the period/ year | - | (25,652,472) |
| Balance, end of period/year | 943,977 | - |

9- Right to use assets, net and lease obligations

A-This item consists of the following:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|-----------------------------------|---|--------------------------------------|
| Cost | | |
| Balance, beginning of period/year | 7,553,345 | 7,553,345 |
| Balance End of Period/Year | 7,553,345 | 7,553,345 |
| Accumulated depreciation | | |
| Balance, beginning of period/year | 3,938,602 | 3,298,898 |
| Charge for year/period | 317,502 | 639,704 |
| Balance End of Period/Year | 4,256,104 | 3,938,602 |
| Net book value | 3,297,241 | 3,614,743 |

B-The following is the movement in the lease obligations:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|--|---|--------------------------------------|
| Balance, beginning of period/ year | 4,113,554 | 4,716,180 |
| Interest expense charged for the period/year | 133,312 | 297,374 |
| Paid during the period/ year | (375,000) | (900,000) |
| Balance, end of period/ year | 3,871,866 | 4,113,554 |

C- Lease obligations are classified in the interim condensed consolidated statement of financial position as follows:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|---------------------------------|---|--------------------------------------|
| Lease obligations - non-current | 3,496,866 | 3,213,554 |
| Lease obligations - current | 375,000 | 900,000 |

D- The Right of use assets is represented in real estate acquired under financing leases.

10- Leasehold contracts, net

A-The Fund has a transfer agreement with Zawya Al-Maather Company on 15 March 2017 to take effect on 15 August 2017 the leasehold contracts consist of the following:

- Al-Quds Benefit: It is a commercial office property located on King Abdullah bin Abdul Aziz Road in Al-Quds district in Riyadh, and the cost of purchasing the benefit is 2,243,693 Saudi riyals, and it is amortized over 10 years.
- Wadi Laban Benefit: It is a residential commercial property located in Al-Shifa Road in the Dhahrat Laban district in Riyadh, and the cost of purchasing the benefit is 1,375,978 Saudi riyals, and it is amortized over 10 years.
- Al-Dabab benefit: It is a commercial office property located in Imam Abdullah bin Faisal Road in Al-Murabba district in Riyadh, and the cost of purchasing the benefit is 5,927,493 Saudi riyals and it is extinguished over 15 years.

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to Interim condensed consolidated financial statements (unaudited) (continued)**For the six-month period ended 30 June 2023**

(Saudi Riyal)

10- Leasehold contracts, net (continued)

B- The following is the movement in the leasehold contracts:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|------------------------------------|---|-------------------------------|
| Balance, beginning of period/year | 5,264,311 | 6,064,973 |
| Amortization during period/year | (397,837) | (800,662) |
| | 4,866,474 | 5,264,311 |
| Impairment losses (c) | (283,237) | (945,150) |
| Balance, end of period/year | 4,583,237 | 4,319,161 |

C- The following is the movement in the impairment losses :

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|-----------------------------------|---|-------------------------------|
| Balance, beginning of period/year | 945,150 | 945,150 |
| Charged during period/year | (661,913) | - |
| Balance, end of period/year | 283,237 | 945,150 |

11- Related Party Transactions

- The Fund's related parties are in the Fund's Board of Directors, the Fund Manager, "Osool & Bakheet Investment Company", Property Manager, Medad Al-Khair Real Estate Establishment, and Zawya Al-Maather Real Estate Company.
- The Fund deals in the ordinary course of business with related parties, related party transactions are governed by the restrictions of regulations issued by the Capital Market Authority, all transactions with related parties are approved by the Fund's Board of Directors
- The Fund Manager charges the Fund 0.5% annually of the Fund's net assets after deducting accrued expenses, calculated on a daily basis and paid quarterly, and the Fund manager recovers 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 related investment properties, provided that payment is made on a semi-annual basis. The Fund also bears all fees and expenses related to the Fund's activities and investments, the fund shall also bear the expenses and fees resulting from transactions and services provided by third parties such as legal and advisory services, real estate consultants and any other professional, technical services, provided that these costs shall not exceed 1% of the total value of the Fund's assets annually.
- The Fund Manager charges the Fund a transaction fee of 1% of the purchase or sale value of each property purchased or sold by the Fund.

A- The balance due from related party is as follows::

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|-------------------------------------|---|-------------------------------|
| Beitak Al hafiz Real Estate Company | 5,135,675 | - |

B- The balance due to related parties are as follows:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|--|---|-------------------------------|
| Osool & Bakheet Investment Company | 1,023,186 | 1,159,991 |
| Albilad Capital Company | 49,863 | 89,104 |
| Members of the Board of Directors | 18,000 | 36,000 |
| Midad Al Khair Real Estate Establishment | - | 163,378 |
| | 1,091,049 | 1,448,473 |

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund
Takes the form of a special-purpose entity
(Managed by Osool & Bakheet Investment Company)

Notes to interim condensed consolidated statement (unaudited) (continued)
For the six-month period ended 30 June 2023
(Saudi Riyal)

11- Due to related parties (continued)

C- The significant transactions with related parties are as follows:

| Related Party | Nature of the relationship | Type of transactions | Transaction amount | |
|---|--|---------------------------------|--------------------------|----------------------------|
| | | | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
| | | Fund | | |
| Osool and Bakhit Investment Company | Fund Manager | Management Fees | 2,029,662 | 3,884,311 |
| Albilad Capital Company | Custodian | Custodian fees | 99,178 | 285,074 |
| Members of the Board of Directors | Members of the Board of Directors | Attendance compensation | 18,000 | 36,000 |
| Midad Al Khair Real Estate Establishment | | As a tenant Property management | 32,000 | 32,000 |
| | | | 1,055,209 | 2,097,363 |
| Creative Future for Digital Brokerage Beitak Al hafiz Real Estate Company | A subsidiary of Osool & Bakhit Company | Rent | 122,000 | 122,000 |
| | Custodian company | Reserved cash | 5,135,675 | - |

12- Account receivables, net

A- This item consists of the following:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|--|--------------------------|----------------------------|
| Receivables | 16,062,571 | 6,531,719 |
| Provision for expected credit losses - B | (1,637,074) | (1,637,074) |
| | 14,425,497 | 4,894,645 |

B- The following is the movement in the provision for expected credit losses:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|------------------------------------|--------------------------|----------------------------|
| Balance, beginning of period/year | 1,637,074 | 11,594,667 |
| Receivables write off | - | (9,957,593) |
| Balance, end of period/year | 1,637,074 | 1,637,074 |

13- Prepaid expenses and other assets

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|------------------------------------|--------------------------|----------------------------|
| Islamic Facilities Management Fees | 868,093 | 1,014,967 |
| Advance payments to suppliers | 422,102 | 8,625 |
| Non-paid refundable deposit | 419,284 | 409,450 |
| Custodian fees | 88,830 | 39,975 |
| Accrued term deposit income | 36,667 | - |
| Value Added Tax (VAT) | - | 59,994 |
| Other | 1,354,547 | 858,053 |
| | 3,189,523 | 2,391,064 |

14- Cash and cash equivalents

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|--------------------|--------------------------|----------------------------|
| Cash at banks | 11,056,677 | 29,413,081 |
| Islamic Facilities | 20,000,000 | - |
| | 31,056,677 | 29,413,081 |

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to interim condensed consolidated statement (unaudited) (continued)

For the six-month period ended 30 June 2023

(Saudi Riyal)

15- Islamic facilities

-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 Tolan real estate in the city of Al-Khobar, The Fund transferred the deed's ownership of Muhammadiyah property in favor of Al-Rajhi banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2024.

-During the year 2020, the Fund obtained an Islamic financing facility of 63.5 million Saudi riyals from Al Rajhi Bank to finance the purchase of Al Nokhba and Al Salam schools in Riyadh, The Fund transferred the deed's ownership of Al-Sahafa 1 and Al-Sahafa 2 properties in favor of Al-Rajhi Banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2025.

-During the year 2021, the Fund obtained an Islamic financing facility of 10.02 million Saudi riyals from Al-Rajhi Bank to finance the purchase of capital work in progress "Salaam Schools" in Al-Riya, The Fund transferred the deed's ownership of Al Rabie Genx and Al Takhassusi Gallery property in favor of Al Rajhi Banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2026.

-At January 25, 2022, the Fund obtained an Islamic financing facility in the amount of 101 million Saudi riyals from Al Rajhi Bank to finance the purchase of the real estate. These facilities carry commissions according to the prevailing prices in the local market. These facilities are granted against the mortgage of certain properties of the Fund, The loan will be repaid in full in 2027.

a) The movement of Islamic facilities are as follows:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|------------------------------------|---|--------------------------------------|
| Balance, beginning of period/year | 196,568,771 | 95,568,771 |
| Received during period/year | - | 101,000,000 |
| Balance, end of period/year | 196,568,771 | 196,568,771 |

b) The following is the movement in the interest on Islamic facilities:

| | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|-----------------------------------|---|--------------------------------------|
| Balance, beginning of period/year | 12,160,141 | 5,979,522 |
| Additions during period/year | 3,163,076 | 6,180,619 |
| Balance, end of period/year | 15,323,217 | 12,160,141 |

- Interest expense for the period 3,163,076 SAR (30 June 2022: SAR 2,697,204).

16- Measuring the fair value of financial instruments

The Fund's financial assets consist of cash and cash equivalents, dividends due, investments at fair value through profit and loss and other financial assets. Financial liabilities consist of related parties, accrued expenses and other liabilities. All financial assets and liabilities are classified at amortized cost excluding investments at fair value through profit and loss which is classified and measured at fair value.

Fair Value

Fair value is the price that will be received when an asset is sold or paid when a liabilities are transferred under a regular transaction between market participants on the date of measurement. The measurement of fair value is based on the assumption that the transaction will take place either:

- in the main market for assets or liabilities, or
- In the absence of the main market, in the most advantageous market for assets or liabilities.

Fair values are classified into different levels in the fair value sequence based on the inputs used in the valuation methods as follows:

Level 1: Market prices declared in active markets for the same financial instruments.

Level 2: Input-based valuation methods that affect fair value and can be observed directly or indirectly in the market.

Level 3: Input-based valuation methods that affect fair value and cannot be observed directly or indirectly in the market.

AI MAATHER REIT FUND

Closed-ended real estate investment traded fund

Takes the form of a special-purpose entity

(Managed by Osool & Bakheet Investment Company)

Notes to interim condensed consolidated statement (unaudited) (continued)**For the six-month period ended 30 June 2023**

(Saudi Riyal)

16- Measuring the fair value of financial instruments (continued)

| <u>As at 30 June 2023</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------|----------------|----------------|--------------------|--------------------|
| Investment real estate, net | <u>-</u> | <u>-</u> | <u>687,332,235</u> | <u>687,332,235</u> |
| | | | | |
| <u>As at 31 December 2022</u> | | | | |
| Investment real estate, net | <u>-</u> | <u>-</u> | <u>681,543,170</u> | <u>681,543,170</u> |

17- Last day of valuation

The last day of the valuation was on June 30, 2023.

18- Subsequent events

The Fund's management believes that there are no significant subsequent events after the date of the condensed interim financial statements and prior to the issuance of these interim condensed consolidated financial statements that require amendment or disclosure.

19- Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved by the Fund's Board of directors on 23 Muharram 1445 (corresponding to 10 August 2023).