

**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 2021  
WITH INDEPENDENT AUDITOR'S REPORT**

**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 2021**  
**with the Independent Auditor's Report**

---

	<u>Page</u>
Independent auditor's report	-
Statement of financial position	1
Statement of comprehensive income	2
Statement of changes in net assets attributable to unit holders	3
Statement of cash flows	4
Notes to the financial statements	5-35



## 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 2021 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 2021 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 different/ independent real estate evaluators for each investment properties as at 31 December 2021 and confirmed that the valuation approaches are suitable for use in determining the carrying 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>- 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>



## 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 2021 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

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

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

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

In preparing the financial statements, the Fund's management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Fund's Board of Directors are responsible for overseeing the Fund's financial reporting process.



## 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 and on behalf of  
**Al-Bassam & Co.**  
Riyadh/ Kingdom of Saudi Arabia

  
**Ibrahim A. Al-Bassam**  
Certified Public Accountant  
Registration No. 337  
29 March 2022  
26 Shaaban 1443 H



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

(Amounts in SAR)

	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	51,387,387	35,047,631
Rent receivable, net	7	5,131,615	12,147,831
Prepayments and other assets	12	4,056,560	5,148,916
<b>Total current assets</b>		<b>60,575,562</b>	<b>52,344,378</b>
<b>Non-current assets</b>			
Leasehold Contracts	8	5,119,823	6,871,746
Right-of-use assets	9	4,254,447	5,246,781
Projects under construction		23,661,502	14,580,305
Investment properties	10	566,420,191	589,792,818
<b>Total non-current assets</b>		<b>599,455,963</b>	<b>616,491,650</b>
<b>Total assets</b>		<b>660,031,525</b>	<b>668,836,028</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued expenses and other liabilities	13	8,193,205	8,356,169
Unearned rental income	16	11,836,971	17,292,528
Management accrual fees and other	14	1,008,263	979,649
Zakat provision	17	4,856,933	2,119,349
Lease liabilities – current portion	9	325,000	554,500
<b>Total current assets</b>		<b>25,895,372</b>	<b>29,302,195</b>
<b>Non-current liabilities</b>			
Lease liability	9	4,391,180	4,579,809
Islamic financing	15	95,568,771	85,548,771
<b>Total non-current liabilities</b>		<b>100,284,951</b>	<b>90,128,580</b>
<b>Total liabilities</b>		<b>126,180,323</b>	<b>119,430,775</b>
<b>NET ASSETS VALUE</b>		<b>533,851,202</b>	<b>549,405,253</b>
<b>Units in issue (numbers)</b>		<b>61,370,000</b>	<b>61,370,000</b>
<b>PER UNIT VALUE</b>	11	<b>8.70</b>	<b>8.95</b>
<b>PER UNIT FAIR VALUE</b>	11	<b>9.69</b>	<b>8.87</b>

The accompanying notes 1 to 30 form an integral part of these financial statements.



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2021

(Amounts in SAR)

	<u>Note</u>	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
Rental income	18	51,624,920	51,265,730
Murabaha income	6	108,903	72,075
Other income		25,803	-
<b>Total income</b>		<u>51,759,626</u>	<u>51,337,805</u>
Depreciation of Right-of-use assets		(1,053,953)	(1,124,422)
Real estate management expenses		(3,911,373)	(3,500,639)
Fund management fees and other	14	(3,309,364)	(3,820,798)
Custodial fee		(255,718)	(242,307)
financing expenses	20	(2,577,808)	(2,450,850)
Property management fees		(2,241,564)	(2,102,992)
Expected credit loss expense	7	836,377	(11,431,044)
Other expenses	19	(1,500,126)	(1,729,892)
<b>Total expenses</b>		<u>(14,013,529)</u>	<u>(26,402,944)</u>
<b>Total income from operations</b>		<u>37,746,097</u>	<u>24,934,861</u>
Depreciation of real estate investments	10	(13,261,062)	(13,052,210)
Amortization of Benefit Contracts	8	(1,099,440)	(1,154,018)
Net change in provision for Impairment of real estate investments and benefits	10	(12,267,761)	(16,605,828)
<b>Net income / (loss) for the year before zakat</b>		11,117,834	(5,877,195)
Zakat charged during the year		(2,737,585)	(1,487,806)
<b>Net income / (loss) for the year after zakat</b>		<u>8,380,249</u>	<u>(7,365,001)</u>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<u>8,380,249</u>	<u>(7,365,001)</u>

The accompanying notes 1 to 30 form an integral part of these financial statements.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2021

(Amounts in SAR)

	<u>Note</u>	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
<b>Net asset value of the unit holders at the beginning of the year</b>		<b>549,405,253</b>	594,819,654
<b>Changes from units' transactions:</b>			
Dividends paid during the year	27	(23,934,300)	(38,049,400)
Total comprehensive income/(loss) for the year		<u>8,380,249</u>	<u>(7,365,001)</u>
<b>Net asset value of the unit holders at the ending of the year</b>		<u><b>533,851,202</b></u>	<u>549,405,253</u>

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

	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
<b>Number of units at the beginning of the year</b>	<b>61,370,000</b>	61,370,000
<b>Issuance of units - by obtaining cash</b>	-	-
<b>Number of units at the ending of the year</b>	<u><b>61,370,000</b></u>	<u>61,370,000</u>

The accompanying notes 1 to 30 form an integral part of these financial statements.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund  
 Managed By Osool & Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

	<u>Notes</u>	<u>For the year ended 31 December 2021</u>	<u>For the year ended 31 December 2020</u>
<b>OPERATING ACTIVITIES</b>			
Net comprehensive income/(loss) for the year before zakat		11,117,834	(5,877,195)
<i>Adjustments to reconcile net income/(loss) to net cash from operating activities:</i>			
Depreciation of real estate investments	10	13,261,062	13,052,210
Depreciation of right of use assets	9	1,053,953	1,124,422
Amortization of utility contracts		1,099,440	1,154,018
Expected credit loss expense	7	(836,377)	11,431,044
Financing Benefits		2,577,808	2,450,850
Net change in provision for impairment of real estate investments and benefits	10	12,267,761	16,605,828
		<u>40,541,481</u>	<u>39,941,177</u>
<b>Changes in operating assets:</b>			
Rent receivables, net		7,852,593	(6,885,817)
Prepaid expenses and other assets		1,092,356	(3,839,777)
<b>Changes in operating liabilities:</b>			
Accrued expenses and other liabilities		(2,395,521)	2,553,639
Unearned rental income		(5,455,557)	(221,028)
Fund management fees payable and others		28,614	110,474
Zakat provision		-	(945,303)
<b>Net cash generated from operating activities</b>		<u>41,663,966</u>	<u>30,713,365</u>
<b>INVESTING ACTIVITIES</b>			
Purchase a real estate investment	10	-	(48,000,000)
Projects under construction		(9,081,197)	(14,580,305)
Additional on real estate investment	10	(1,503,713)	(909,378)
<b>Net cash used in investing activities</b>		<u>(10,584,910)</u>	<u>(63,489,683)</u>
<b>FINANCING ACTIVITIES</b>			
Rental lease liabilities paid	9	(825,000)	(1,312,500)
Islamic facilities		10,020,000	63,549,999
Dividends paid during the year		(23,934,300)	(38,049,400)
Net cash generated from/ (used in) financing activities		<u>(14,739,300)</u>	<u>24,188,099</u>
<b>Net change in cash and cash equivalents</b>		<u>16,339,756</u>	<u>(8,588,219)</u>
Cash and cash equivalents at the beginning of the period		<u>35,047,631</u>	<u>43,635,850</u>
<b>Cash and cash equivalents at the ending of the year</b>		<u>51,387,387</u>	<u>35,047,631</u>

The accompanying notes 1 to 30 form an integral part of these financial statements.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

---

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

**For the year ended 31 December 2021**

(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 one 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 (I) 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, which show the requirements that all real estate funds and real estate funds traded in the Kingdom of Saudi Arabia must follow

#### **3. BASIS OF PRESENTATION**

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

These financial statements have been prepared in accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia and other standards and issuances issued by the Saudi Organization for Chartered and Professional Accountants (together referred to as "International Financial Reporting Standards accordance in the Kingdom of Saudi Arabia"), and Fund terms and conditions.

As required by the Capital Market Authority ("CMA") through its circular dated 16 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

Managed By Osool & Bakheet Investment Company

---

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

For the year ended 31 December 2021

(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 financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets and liabilities, income and expenses that are recognized. Such estimates and judgments are continually evaluated based on past experience and certain other factors, including expectations of future events that are believed to be reasonable under the circumstances and data and as a result form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are tested on the basis of the going concern concept. A review of accounting estimates is included in the year in which the estimates are reviewed, if the review affects only that year or in the year of the review and future periods if the review affects both current and future periods.

When applying the fund's accounting policies, the management made the following judgments and estimates, which are important to the financial statements:

##### ***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

Managed By Osool & Bakheet Investment Company

---

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

**For the year ended 31 December 2021**

(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

Managed By Osool & Bakheet Investment Company

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

For the year ended 31 December 2021

(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:*

#### **A- 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.

#### **B- 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

Managed By Osool & Bakheet Investment Company

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(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 Zakat, Tax and customs Authority in the Kingdom of Saudi Arabia 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



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021**

(Amounts in SAR)

**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.

<b>Financial assets</b>	<b>IFRS 9 classification</b>
Cash and cash equivalents	Amortized cost
Operating lease Receivable	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.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

---

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**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.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

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

For the year ended 31 December 2021

(Amounts in SAR)

#### **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.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

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

For the year ended 31 December 2021

(Amounts in SAR)

#### **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.

<b>Financial liabilities</b>	<b>IFRS 9 classification</b>
Islamic financing	Amortized cost
Management accrual fees and other	Amortized cost

##### ***Derecognition***

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

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

---

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**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.

## AL-MAATHER REIT FUND

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

(Amounts in SAR)

#### 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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balances banks	17,387,387	27,047,631
Islamic Murabaha *	34,000,000	8,000,000
	<u>51,387,387</u>	<u>35,047,631</u>

The amount represents Islamic Murabaha with the Saudi National Bank. Term deposits range from one day to three months and generate income. The deposit is deposited for a period ranging from one day to three months and earns a special commission.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**7. Rent receivable, net**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Rent receivable	<b>16,726,282</b>	24,578,875
Provision for expected credit losses	<b>(11,594,667)</b>	(12,431,044)
	<b><u>5,131,615</u></b>	<u>12,147,831</u>

Movement for expected credit losses during the year is as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Balance at the beginning of the year	<b>12,431,044</b>	1,000,000
Charge / (reversal) during the year	<b>(836,377)</b>	11,431,044
Balance at the ending of the year	<b><u>11,594,667</u></b>	<u>12,431,044</u>

Year	Net	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
<b>December 31, 2021</b>	<b>5,131,615</b>	<b>16,726,282</b>	<b>933,508</b>	<b>4,377,117</b>	<b>734,056</b>	<b>624,011</b>	<b>10,057,591</b>
Ratio of receivable		100%	6%	26%	4%	4%	60%
Provision for expected credit losses		<b>(11,594,667)</b>	<b>(187,460)</b>	<b>(825,497)</b>	<b>(250,561)</b>	<b>(273,558)</b>	<b>(10,057,591)</b>
<b>December 31, 2020</b>	<b>12,147,831</b>	<b>24,578,875</b>	<b>6,483,786</b>	<b>2,838,576</b>	<b>2,889,181</b>	<b>818,940</b>	<b>11,548,392</b>
Ratio of receivable		100%	26%	12%	12%	3%	47%
Provision for expected credit losses		<b>(12,431,044)</b>	<b>(558,497)</b>	<b>(219,113)</b>	<b>(129,964)</b>	<b>(196,440)</b>	<b>(11,327,030)</b>

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**8. LEASEHOLD CONTRACTS, NET**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance at the beginning of the year	6,871,746	8,041,114
Additions	-	292,667
Amortization	(1,099,440)	(1,446,685)
Impairment (8-1)	(652,483)	(15,350)
Balance at the ending of the year	<u>5,119,823</u>	<u>6,871,746</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-Rabee 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 SR 1,483,659 and Amortized over 5 years, noting that the leasehold expired on 05 November 2021.

- 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 SR 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 SR 5,927,493 and is amortized over year 15 years.

**8-1 Movement for impairment during the year is as follows:**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance at the beginning of the year	292,667	277,317
Charge / (reversal) during the year	652,483	15,350
Balance at the ending of the year	<u>945,150</u>	<u>292,667</u>

**9. Right of use assets**

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
<b><u>Right of use assets</u></b>		
Balance as at 1 January	7,491,726	7,491,726
Additions during the year	-	-
Adjustments during the year	61,619	-
Balance as at 31 December	<u>7,553,345</u>	<u>7,491,726</u>
<b><u>Accumulated Depreciation</u></b>		
Balance as at 1 January	2,244,945	1,120,523
Charge during the year	1,053,953	1,124,422
Balance as at 31 December	<u>3,298,898</u>	<u>2,244,945</u>
Book Value as of 31 December	<u>4,254,447</u>	<u>5,246,781</u>



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**9. Right of use assets (continued)**

	31 December 2021	31 December 2020
<b>Lease liabilities</b>		
<b>Balance as at 1 January</b>	5,134,309	6,058,809
Additions during the year	-	-
Interest expenses Charge during the year	345,252	388,000
Adjustments during the year	61,619	-
Lease payments during the year	(825,000)	(1,312,500)
<b>Balance as at 31 December</b>	<b>4,716,180</b>	<b>5,134,309</b>
Current portion shown under the current liabilities	325,000	554,500
Non-current portion shown under the non-current liabilities	4,391,180	4,579,809
	<b>4,716,180</b>	<b>5,134,309</b>

**The amounts recognized in the statement of comprehensive income**

The statement of comprehensive income shows the following amounts related to the leases:

	31 December 2021	31 December 2020
Interest expense	345,252	388,000
Depreciation cost of assets	1,053,953	1,124,422

The weighted average additional borrowing rate applicable to the lease liabilities on 31 December 2021 was 7%. (31 December 2020 at 7%).

The table below shows the ages of maturity and obligation under the lease contract as follows:

	31 December 2021	31 December 2020
During 1 year	466,370	254,417
From 1 to 5 years	3,265,087	3,607,711
more than 5 years	984,723	1,272,181

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**10. INVESTMENTS PROPERTIES**

<u>Cost</u>	<u>Land</u>	<u>Building</u>	<u>Furniture</u>	<u>Total</u>
Balance as at 31 December 2021	291,684,318	330,293,438	8,782,873	630,760,629
Additions	-	1,389,627	114,086	1,503,713
Increase / impairment in value	(6,520,075)	(4,975,128)	(120,075)	(11,615,278)
<b>Balance as at 31 December 2021</b>	<b>285,164,243</b>	<b>326,707,937</b>	<b>8,776,884</b>	<b>620,649,064</b>

Accumulated Depreciation

Balance as at 31 December 2021	-	36,497,989	4,469,822	40,967,811
Charge during the year	-	11,891,417	1,369,645	13,261,062
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>48,389,406</b>	<b>5,839,467</b>	<b>54,228,873</b>

Net Book Value:

<b>Balance as at 31 December 2021</b>	<b>285,164,243</b>	<b>278,318,531</b>	<b>2,937,417</b>	<b>566,420,191</b>
---------------------------------------	--------------------	--------------------	------------------	--------------------

<u>Cost</u>	<u>Land</u>	<u>Building</u>	<u>Furniture</u>	<u>Total</u>
Balance as at 1 January 2020	280,609,019	308,932,205	8,900,507	598,441,731
Additions	19,856,700	28,902,286	150,391	48,909,377
Increase / impairment in value	(8,781,401)	(7,541,053)	(268,025)	(16,590,479)
<b>Balance as at 31 December 2020</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 1 January 2020	-	24,791,769	3,123,832	27,915,601
Charge during the year	-	11,706,220	1,345,990	13,052,210
<b>Balance as at 31 December 2020</b>	<b>-</b>	<b>36,497,989</b>	<b>4,469,822</b>	<b>40,967,811</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>
---------------------------------------	--------------------	--------------------	------------------	--------------------

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**10. INVESTMENTS PROPERTIES (continued)**

This investment properties 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 SR95 million in exchange for the Islamic facility obtained from the bank. The book value of AlSahafa 1, AlSahafa 2 and Muhammadiyah is 186 million Saudi riyals as at the date of the report.

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:

Type	Evaluation method	Market value			
		31 December 2021		31 December 2020	
		Tathmeen	White Cubes	Areab	Valustart
Genx Al Mnather	Discounted cash flow	<b>166,111,000</b>	<b>151,200,000</b>	168,580,053	135,000,000
Genx Al Rabie	Discounted cash flow	<b>39,755,000</b>	<b>40,660,000</b>	44,649,989	30,000,000
Al Mohammadia Tower	Discounted cash flow	<b>104,500,000</b>	<b>108,680,000</b>	96,496,401	98,000,000
Al Tkahssusi showrooms	Discounted cash flow	<b>67,072,000</b>	<b>66,540,000</b>	50,979,529	58,000,000
Al Sahafa 1	Discounted cash flow	<b>46,662,000</b>	<b>46,730,000</b>	47,369,278	51,000,000
Al Sahafa 2	Discounted cash flow	<b>52,293,000</b>	<b>57,550,000</b>	51,873,791	55,000,000
Al Hair warehouses	Discounted cash flow	<b>17,402,000</b>	<b>19,720,000</b>	20,697,613	15,500,000
Al Sulai warehouses	Discounted cash flow	<b>42,984,000</b>	<b>47,090,000</b>	52,975,901	37,500,000
Tolan Hotel Suites	Discounted cash flow	<b>26,378,000</b>	<b>29,810,000</b>	23,330,814	22,000,000
Al Noukhba Educational Schools	Discounted cash flow	<b>29,278,000</b>	<b>37,640,000</b>	28,740,288	30,500,000
Al Salam Schools	Discounted cash flow	<b>45,307,000</b>	<b>55,380,000</b>	40,670,228	40,000,000
<b>Total</b>		<b>637,742,000</b>	<b>661,000,000</b>	626,363,885	572,500,000
<b>Average Rating</b>		<b>649,371,000</b>		599,431,943	

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**10. INVESTMENTS PROPERTIES (continued)**

At the end of 2021 the fund didn't use assumptions as below, and at the end of 2020, for the purpose of assessing impairment, the value in use of investment properties was determined by approved valuers from a valuation in accordance with the guidance provided in International Accounting Standard 36 "Impairment of Assets". Since the book value exceeds the recoverable value (above the fair value minus selling costs and value in use), the Fund recorded a decrease in value in 2020 by 16 million Saudi riyals using the following assumptions:

Evaluator: **Insights**

Type	Key Assumptions				Redemption value	
	The weighted average cost of capital		Final capitalization rate		31 December 2021	31 December 2020
	31 December 2021	31 December 2020	31 December 2021	31 December 2020		
Genx Al Maather	--	%8,05	--	%8,75	--	170,936,430
Genx Al Rabie	--	%8,05	--	%8,5	--	41,031,349
Al Mohammadia	--	%8,26	--	%8,5	--	97,248,201
Al Tkahssasi showrooms	--	%7,18	--	%9	--	56,691,452
Al Sahafa building 1	--	%7,61	--	%8,5	--	52,999,313
Al Sahafa building 2	--	%7,61	--	%8,5	--	53,436,896
Al Hair warehouses	--	%8,05	--	%10	--	18,098,807
Al Sulai warehouses	--	%8,05	--	%9,5	--	45,626,385
Tolan Hotel Suites	--	%7,61	--	%10,5	--	24,602,106
Al Noulhba Educational Schools	--	%7,61	--	%8,5	--	32,110,939
Al Salam Schools	--	%7,61	--	%8,5	--	40,335,114
					--	633,116,992

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**11. EFFECT OF NET ASSET VALUE (EQUITY) IF INVESTMENT PROPERTIES AND LEASEHOLD CONTRACTS 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 valuation of investment properties ("Real Estate") was determined by **Saudi Asset Valuation Company (Tathmeen) and White Cubes valuation & advisory services (White Cubes)**. These valuers are licensed by the Saudi Authority for Accredited Valuers ("Valuation"). The fund manager used the average of two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration several factors, including the area and type of the property, and valuation techniques that use many unobservable inputs. These models include the land plus cost method, the residual value method, and the discounted cash flow method.

The following is the evaluation of  
Real estate investments:

As at 31 December 2021	Saudi Asset Valuation Company Tathmen	White Cubes valuation & advisory services (White Cubes)	Average
Investment properties (Note 10)	637,742,000	661,000,000	649,371,000
Leasehold Contracts	6,452,000	6,702,775	6,577,388
<b>Total</b>	<b>644,194,000</b>	<b>667,702,775</b>	<b>655,948,388</b>

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>

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

Real estate investments and leasehold contracts were evaluated considering a range of factors including the area and type of property and valuation methods using unobservable inputs including financial analysis, plot division, cost method, direct comparison method and residual value method.

	31 December 2021	31 December 2020
Estimated fair value of investment properties based on the average of the two valuers used	655,948,388	606,310,340
Less: book value		
Investment properties	(566,420,191)	(589,792,818)
Projects under construction	(23,661,502)	(14,580,305)
Leasehold Contracts	(5,119,823)	(6,871,746)
Estimated fair value increase / (decrease) of book value	60,746,872	(4,934,529)
Units in issue (numbers)	61,370,000	61,370,000
Additional value per unit based on fair value	0.99	(0.08)

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**11. EFFECT OF NET ASSET VALUE (EQUITY) IF INVESTMENT PROPERTIES LEASEHOLD CONTRACTS ARE FAIR VALUED (CONTINUED)***Net assets value:*

	<u>31 December 2021</u>	<u>31 December 2020</u>
Net assets value (Equity) attributable to unitholders as per the financial statements before fair value adjustment	533,851,202	549,405,253
Increase/ (decrease) estimated fair value deficit of book value	<u>60,746,872</u>	<u>(4,934,529)</u>
Net assets attributable to unitholders based on fair valuation of investment properties	<u>594,598,074</u>	<u>544,470,724</u>

*Net asset attributable to each unit:*

	<u>31 December 2021</u>	<u>31 December 2020</u>
Book value per unit as per the financial statements before fair value adjustment	8.70	8.95
Additional value per unit based on fair value	<u>0.99</u>	<u>(0.08)</u>
Net assets attributable to each unit based on fair valuation	<u>9.69</u>	<u>8.87</u>

**12. PREPAYMENTS AND OTHER ASSETS**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Advance Payments - Suppliers	2,594,525	-
VAT	881,614	4,430,272
Other	496,045	687,069
Operational custody	29,876	30,463
Commission income accrued	<u>54,500</u>	<u>1,111</u>
	<u>4,056,560</u>	<u>5,148,916</u>

**13. ACCRUED EXPENSES AND OTHER LIABILITY**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Advance from customers	317,723	3,832,546
Accrual interest	5,979,523	2,644,884
Refundable Deposit – Customer	1,291,967	1,219,897
Accruals to suppliers	111,494	273,946
Accrued properties management expenses	252,799	235,703
Accrued other expenses	113,814	104,193
Allowance to attend the members of the BOD	48,000	45,000
Accrued custody fees	<u>77,885</u>	<u>-</u>
	<u>8,193,205</u>	<u>8,356,169</u>

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

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

For the year ended 31 December 2021

(Amounts in SAR)

#### **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**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Balance at the beginning of the year	<b>85,548,771</b>	21,998,772
Movement during the year	<b>10,020,000</b>	63,549,999
Balance at the ending of the year	<b>95,568,771</b>	85,548,771

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).

During 2021, the Fund obtained an Islamic financing facility of 10.02 million Saudi riyals from Al Rajhi Bank to finance the purchase of projects under implementation - Al Salam Schools in Riyadh. The Fund transferred the title deed of the property of Al Rabie Genx and Al Takhassusi Gallery to the benefit of Al Rajhi Banking and Investment Company, as a guarantee against the Islamic financing facility, and the loan will be repaid in full by 2026. (Note 10).

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**16. UNEARNED RENTAL INCOME**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance at the beginning of the year	17,292,528	17,513,556
Rental income earned during the year (note 18)	(54,675,337)	(53,510,833)
Rental income received during the year	49,219,780	53,289,805
Balance at the ending of the year	<u>11,836,971</u>	<u>17,292,528</u>

**17. ZAKAT**

Zakat base as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Net Adjusted Income</b>	27,567,389	23,569,199
Add:		
Unit Net Value at beginning of the period	549,405,253	594,819,654
Provisions	52,195,246	27,767,023
Lease liability	4,716,181	5,765,852
Other additions	2,119,349	-
Loans	94,420,936	85,548,771
Less:		
Dividends paid	(23,934,300)	(38,049,400)
Real estate investments and projects in progress	(590,081,693)	(604,373,123)
Lease hold Contract, net	(5,119,823)	(6,871,746)
Right-of-use assets	(4,254,447)	(5,246,781)
Zakat base	<u>107,034,091</u>	<u>82,929,449</u>
Zakat on net Adjusted Income	689,185	589,230
Zakat on remaining Zakat base	2,048,400	1,530,119
<b>Total Provision of Zakat</b>	<u>2,737,585</u>	<u>2,119,349</u>

Zakat provision movement is as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance at the beginning of the year	2,119,349	1,576,847
Provided during the year	2,737,585	2,119,349
Other adjustments	-	(631,543)
Paid during the year	-	(945,304)
<b>Balance at the ending of the year</b>	<u>4,856,934</u>	<u>2,119,349</u>

**18. RENTAL INCOME**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Real estate investment rental income	51,930,395	50,503,347
Leasehold contract rental income	2,744,942	3,007,486
	<u>54,675,337</u>	<u>53,510,833</u>
Discount on rents	(3,050,417)	(2,245,103)
	<u>51,624,920</u>	<u>51,265,730</u>



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**19. OTHER EXPENSES**

	31 December 2021	31 December 2020
New real estate acquisition expenses	217,280	458,283
Trading expenses and a deposit center	581,953	583,312
Appraisal expenses, consulting and professional fees	346,500	410,313
Finance cost and loan fee	51,285	44,451
Allowance to attend the members of the BOD	48,000	45,000
Property insurance	141,980	124,436
Bank charge	26,390	16,095
Other	86,738	48,002
	<u>1,500,126</u>	<u>1,729,892</u>

**20. FINANCING EXPENSES**

	31 December 2021	31 December 2020
Benefits of Islamic facilities	2,232,556	2,062,850
Benefit Contracts	345,252	388,000
	<u>2,577,808</u>	<u>2,450,850</u>

**21. 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	31 December 2021	31 December 2020	31 December 2021	31 December 2020
		Amount of transactions	Amount of transactions	Balance	Balance
Osool & Bakheet Company	Fund management fee and other*	3,309,364	4,287,661	(1,008,263)	(979,648)
zawyat alma'athar. for real estate – unitholder and Board member	As a tenant	(670,000)	-	-	670,000
Madad Alkhair for real estate	Management property	2,241,564	2,344,964	(252,799)	(235,703)
Madad Alkhair for real estate	As a tenant	110,400	-	-	-
Board of Directors	Attendance allowance*	48,000	45,000	48,000	(45,000)
The Future of Creativity Digital Brokerage Company (a subsidiary of Osool & Bakheet Company)	As a tenant	146,454	-	-	-

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

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**22. SEGMENT REPORTS**

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

31 December 2021	Offices	Hotel Suites	Galleries	Warehouses	Schools	Others	Unallocated	Total
Operating revenue	18,491,651	12,450,839	8,604,913	5,637,349	6,233,955	206,214		51,624,920
Other income							134,706	134,706
<b>Total Revenue</b>	<b>18,491,651</b>	<b>12,450,839</b>	<b>8,604,913</b>	<b>5,637,349</b>	<b>6,233,955</b>	<b>206,214</b>	<b>134,706</b>	<b>51,759,626</b>
Direct operation expenses	(578,909)	(4,234,692)	(1,024,223)	(364,751)	(1,359,548)	(91,767)	-	(7,653,889)
Indirect operation expenses	-	-	-	-	-	-	(7,196,016)	(7,196,017)
Provision for expected credit loss	-	-	-	-	-	-	836,377	836,377
<b>Total Expenses</b>	<b>(578,909)</b>	<b>(4,234,692)</b>	<b>(1,024,223)</b>	<b>(364,751)</b>	<b>(1,359,548)</b>	<b>(91,767)</b>	<b>(6,359,640)</b>	<b>(14,013,528)</b>
<b>Operating gross profit</b>	<b>17,912,742</b>	<b>8,216,147</b>	<b>7,580,691</b>	<b>5,272,598</b>	<b>4,874,406</b>	<b>114,447</b>	<b>(6,224,933)</b>	<b>37,746,098</b>
Depreciation, amortization, gain or impairment loss	(7,737,419)	(7,358,761)	(6,078,634)	(4,466,926)	(938,110)	(48,413)		(26,628,264)
<b>Net profit before zakat</b>	<b>10,175,323</b>	<b>857,386</b>	<b>1,502,056</b>	<b>805,671</b>	<b>3,936,296</b>	<b>66,036</b>	<b>(6,224,933)</b>	<b>11,117,834</b>

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		51,265,730
Other income							72,075	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)	-	(7,681,730)
Indirect operation expenses	-	-	-	-	-	-	(7,290,170)	(7,290,170)
Provision for expected credit loss	(856,469)	(7,404,421)	(2,908,665)	(257,554)	-	(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>85,840</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>

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**23. 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 Fund always measures the loss allowance for trade receivables at an amount equal to the expected credit loss over their useful life. The expected credit losses of trade receivables are estimated collectively using a provision matrix by reference to the debtor's past default experience, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast trend of conditions at the reporting date.

At the discretion of the optimal management. Accordingly, ECL is based primarily on historical information about the due date and related loss rates and no significant assumptions have been made in the ECL model used to calculate the provision.

Based on management's assessment, the forward-looking information, ie the economic factor as well, does not materially affect ECL and therefore related sensitivities are not disclosed.

The Fund performs credit checks before granting credit to new clients. These procedures are checked and updated on an ongoing basis. There are no customers who make up more than 10% of the total balance of trade receivables in the current and previous year.

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Cash and cash equivalents	51,387,387	35,047,631
Rent receivable, net	5,131,615	12,147,831

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, the fund charge impairment for rent receivable are carried at net of impairment.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)****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 2021		Total
	Less than 1 year	More than 1 year	
Cash and cash equivalent	51,387,387	-	51,387,387
Rent receivable	5,131,615	-	5,131,615
Prepayments and other assets	4,056,560	-	4,056,560
Leasehold Contracts, net	5,119,823	-	5,119,823
Right-of-use assets	-	4,254,447	4,254,447
Leasehold contracts	23,661,502	-	23,661,502
Investment properties	-	566,420,191	566,420,191
<b>Total assets</b>	<b>89,356,887</b>	<b>570,674,638</b>	<b>660,031,525</b>
Accrued expenses and other liabilities	8,193,204	-	8,193,204
Unearned rental income	11,836,971	-	11,836,971
Management accrual fees and other	1,008,263	-	1,008,263
Lease liability on right of use assets	325,000	4,391,180	4,716,180
Islamic financing	-	95,568,771	95,568,771
Zakat provision	4,856,933	-	4,856,933
<b>Total liabilities</b>	<b>26,220,371</b>	<b>99,959,951</b>	<b>126,180,322</b>

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)***Maturity profiles (continued)*

	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
Leasehold contracts	14,580,305	-	14,580,305
Investment properties	-	589,792,818	589,792,818
<b>Total assets</b>	<b>73,796,429</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>

**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.

**Interest rate risk**

Financial instruments are exposed to the risk of changes in value as a result of changes in the commission rate of its financial assets and financial liabilities with variable commission rates. The actual commission rates and the periods during which the re-pricing or maturity of the financial assets and liabilities have been indicated in the related notes.

The following table shows the sensitivity of the possible reasonable change in interest rates, on the company's profit through the effect of changing the borrowing commission rate, with other variables held constant, as there is no impact on non-consolidated comprehensive income.

31 December 2021	Increase (decrease) in the commission rate	Balance	Potential impact on comprehensive income
	%1		
Islamic financing		95,568,771	955,688

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)***Interest rate risk (Continued)*

31 December 2020	Increase (decrease) in the commission rate	Balance	Potential impact on comprehensive income
Islamic financing	%1	85,548,771	855,488

**25. 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.

**26. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS.**Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

**New amendments to standards issued and applied effective in year 2021**

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. 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.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extends the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**25. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS  
(CONTINUED)**

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018-2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2021

(Amounts in SAR)

**25. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**  
**(CONTINUED)**

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.



**AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool &amp; Bakheet Investment Company

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021**

(Amounts in SAR)

**26. 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.

As the COVID-19 outbreak continues to develop, it is difficult to predict the extent and duration of its full economic impact from now on. The fund's management is currently monitoring the situation and its impact on the fund's operations, cash flows and financial position. Notwithstanding the above adjustments, management considers, based on its assessment, that the fund has sufficient available liquidity to continue to meet its financial obligations for the foreseeable future as they accruals.

## **AL-MAATHER REIT FUND**

A Real Estate Investment Traded - Closed Ended Fund

Managed By Osool & Bakheet Investment Company

---

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

**For the year ended 31 December 2021**

(Amounts in SAR)

#### **27. DIVIDEND DISTRIBUTION**

In accordance with the terms and conditions of the fund, the fund aims to distribute annual profits of at least 90% of the fund's net profits. The Board of Directors of the Fund approved the distribution of dividends in relation to the year ended December 31, 2020, amounting to SR 0.39 per unit and the total is SR 23,934,300 and was paid in March 2021. Dividends were distributed for the period (31 December 2019: SR 38,049,400) and were paid in March 2020.

#### **28. SUBSEQUENT EVENTS**

- 1) On January 27, 2022, the Fund announced the completion of the process of mortgaging the title deeds of three real estate properties, which are the real estate of Al Salam Schools in the city of Riyadh, the real estate of the Elite Schools in the city of Onaiza, and the real estate of the Tolan Suites Hotel in the city of Al Khobar, for the benefit of Al Rajhi Banking and Investment Company, as a guarantee of credit facilities compatible with The Islamic Sharia, which will be presented by Al Rajhi Bank in favor of the fund, and the fund clarified that there are no transactions with related parties or transactions that involve a conflict of interest in the agreement.
- 2) On February 06, 2022, the Fund announced the successful completion of the purchase of the property of the Burjeel Hospital building, located in the city of Sharjah in the United Arab Emirates, on Thursday 02/07/1443 AH corresponding to 03/02/2022, where the purchase value amounted to 100,000,000 (one hundred million UAE dirhams), and 5,000,000 (Five Million UAE Dirhams) value-added tax. It should be noted that the property is leased to VPS Healthcare (LLC), which is the operating company of Burjeel Healthcare Centres in the sisterly United Arab Emirates, The tenant has a good reputation and extensive experience in the field of health care, and the annual rental value is 8,000,000 (eight million UAE dirhams), with a gradual increase in value of 500,000 (Five hundred thousand UAE dirhams) every five years for a rental period of 20 years, with an average return of 8.75% During the remaining period of the contract, the Fund also clarified that there are no transactions with related parties or transactions that involve a conflict of interest in the agreement.
- 3) On March 07, 2022, the Fund announced the distribution of cash dividends to the unit holders of Al-Maathar REIT Fund for the year 2021 (on December 31, 2021) in the amount of 34,980,900 Saudi riyals (i.e., 0.57 Saudi riyals per unit), and that the eligibility of cash dividends to unit holders, according to the register of owners Units by the end of March 13, 2022.

#### **29. LAST VALUATION DAY**

The last evaluation day for the year is 12/31/2021.

#### **30. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board of Directors on 29 March 2022 corresponding to 26 Shaaban 1443 H.