

**MULKIA GULF REAL ESTATE REIT FUND
CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
TAKES THE FORM OF A SPECIAL PURPOSE ENTITY
(MANAGED BY MULKIA INVESTMENT COMPANY)**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REPORT**

**MULKIA GULF REAL ESTATE REIT FUND
CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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INDEPENDENT AUDITOR'S REPORT

To The Unitholders of Mulkia Gulf Real Estate REIT Fund

(Closed public-traded listed real estate investment fund – Takes the form of a Special Purpose Entity)

Report on The Audit of Financial Statement

Opinion

We have audited the financial statements of **Mulkia Gulf Real Estate Reit Fund** (the “Fund”), managed by Mulkia Investment Company (the “Fund Manager”), which comprise the statement of financial position as at 31 December 2021, and the statements of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and the notes accompanying to the financial statements and summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Mulkia Gulf Real Estate REIT Fund** as of 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under these standards are further described in the “Auditor’s 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 Kingdom of Saudi Arabia that are relevant to our audit of the fund’s financial statements and we have fulfilled our ethical 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 (KAM) are defined as “those matters that, in our professional judgment, were of most significance in the 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 informing our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the matter during our audit
<p>Investment properties</p> <p>The net book value of investment properties in the Fund amounted to SAR 949.09 million as of 31 December 2021 (amount to SAR 961.51 million as of 31 December 2020) which represents a significant percentage of the Fund's total assets. Investment properties are measured at cost, less accumulated depreciation, and any impairment losses (if any).</p> <p>The fair value of investment properties is determined for the purposes of disclosing the fair value with its impact on net assets value per unit and to recognize impairment (if any). Valuations are performed, semi-annually, by two independent valuers, licensed by the Saudi Authority for Accredited Valuers.</p> <p>This matter was considered as a key audit matter, as the valuation requires a material judgment regarding the appropriateness of the methodology applied. Inaccurate inputs to this judgment may lead to material misrepresentations in the disclosures of the financial statements.</p> <p>Please refer to Note No. (5) for a summary of the most significant accounting policies and Note No. (7,14) for the relevant notes about the financial statements.</p>	<p>We have performed the following procedures regarding investment properties:</p> <ul style="list-style-type: none"> We evaluated the competency and eligibility of the external valuers who performed the valuation and their independence from the Fund. We evaluated the accuracy of the inputs used by the independent valuers. We verified the final valuation reports and matched the average fair value reported by the valuers with the financial records of the Fund. We evaluated the appropriateness of disclosures related to the investment properties of the Fund in Note (14) to the financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Unitholders of Mulkia Gulf Real Estate Reit Fund

(Closed public-traded listed real estate investment fund – Takes the form of a Special Purpose Entity)

Report on The Audit of Financial Statement (continued)

Other Information

The fund manager is responsible for the other information. The other information includes the information included in the annual report of the fund but does not include the financial statements and our audit report thereon. It is expected that the annual report will be available to us after the date of this report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Regarding our audit of the financial statements, it is our responsibility to read this other information specified above when it becomes available, and when we do so, we take into account whether that other information is materially inconsistent with the financial statements or with our knowledge that was acquired during the audit or appears on it otherwise. It contains fundamental errors. When we read the annual report, and we realize that there are fundamental errors in this information, we are required to report this fact to those charged with governance.

Responsibilities of Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager 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 the Saudi Organization for Chartered and Professional Accountants and Real Estate Investment Funds Regulations, the terms and conditions of the Fund, 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 Manager 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 Fund Manager 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. board of directors of the Fund are responsible for overseeing the Fund's financial reporting process.

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 auditor's 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 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 based on these financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Unitholders of Mulkia Gulf Real Estate REIT Fund

(Closed public-traded listed real estate investment fund – Takes the form of a Special Purpose Entity)

Report on The Audit of Financial Statement (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the fund manager.
- Conclude on the appropriateness of fund manager'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 material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosure is 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.
- 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 controls that we identify during our audit.

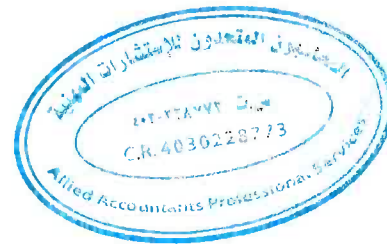
We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

The matters that have been communicated to those charged with governance are those matters that were of high importance when reviewing the financial statements for the current year, and accordingly are the main matters for review and we explain these matters in our report unless a system or regulation prevents public disclosure of the matter, or in very rare circumstances. In our opinion, the matter should not be reported in our report because it is reasonably expected that the negative consequences of doing so will outweigh the public interest benefits of that reporting.

Allied Accountants for Professional Services Company



Mohammed bin Farhan bin Nader
License No. 435
Riyadh, Saudi Arabia
25 Shaban 1443 H (March 28, 2022)

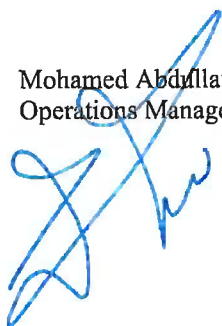


MULKIA GULF REAL ESTATE REIT FUND
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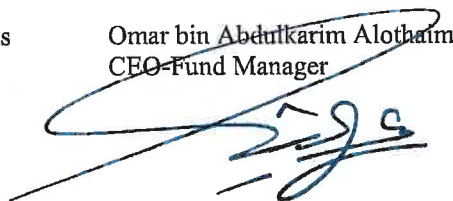
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 SAR	31 December 2020 SAR
Assets			
Cash and cash equivalent	6	16,835,710	270,854,096
Investment properties, net	7	949,086,381	961,509,113
Account receivable from lease, net	8	33,082,532	31,282,128
Accrued revenue		9,850,562	7,446,394
Prepaid expenses and other debit balances		844,419	926,988
Total assets		1,009,699,604	1,272,018,719
Liabilities			
Long-term loan	9	342,009,210	601,594,668
Unearned lease revenue	10	17,633,010	16,261,031
Due to a related party	11	5,930,166	6,020,208
Accrued expenses and other credit balances	12	3,152,740	6,447,883
Zakat provision	13	2,123,859	-
Total liabilities		370,848,985	630,323,790
Equity attributable to Unitholders			
Net assets attributable to Unitholders		638,850,619	641,694,929
Issued units (numbers)			
		68,108,652	68,108,652
Net assets value per unit – book value		9.38	9.42
Net assets value per unit – fair value	14	9.91	9.74

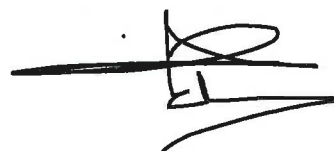
Mohamed Abdullatif Nawas
Operations Manager



Omar bin Abdulkarim Alothaim
CEO-Fund Manager



Sultan Mohammed Alhudaithi
Chairman of the Fund board



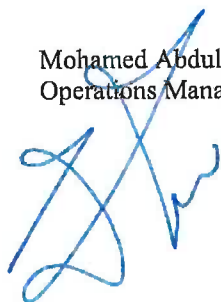
The accompanying notes (1) to (26) form an integral part of these financial statements.

MULKIA GULF REAL ESTATE REIT FUND
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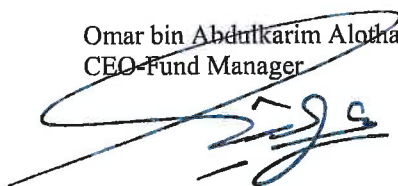
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<u>Note</u>	<u>2021</u> <u>SAR</u>	<u>2020</u> <u>SAR</u>
Revenues			
Leases revenue of investment properties, net	15	76,518,528	69,417,558
Other revenue	16	5,376	606,846
Total revenues		76,523,904	70,024,404
Expenses			
Fund management fees	11	(10,151,360)	(9,824,179)
Custodial fees		(245,483)	(239,289)
Provision for expected credit losses	8	(9,356,644)	(6,426,809)
Depreciation of investment properties	7	(12,220,502)	(11,762,579)
Finance charges	17	(9,361,034)	(14,944,759)
Acquisition fees	11	-	(2,015,000)
Capital structure fees	11	-	(806,000)
Finance structure fees	11	-	(830,000)
Other administrative expenses	18	(2,298,894)	(1,668,201)
Total expenses		(43,633,917)	(48,516,816)
Net profit from operations		32,889,987	21,507,588
Impairment of investment properties	7	(935,559)	(3,269,111)
Net profit for the year before Zakat		31,954,428	18,238,477
Zakat	13	(1,425,499)	-
Net profit for the year		30,528,929	18,238,477
Other comprehensive income		-	-
Total comprehensive income for the year		30,528,929	18,238,477

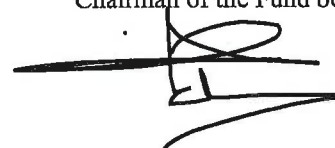
Mohamed Abdullatif Nawas
Operations Manager



Omar bin Abdulkarim Alothaim
CEO-Fund Manager



Sultan Mohammed Alhudaithi
Chairman of the Fund board



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**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2021**

		For the year ended 31 December 2021	For the year ended 31 December 2020
	Note	SAR	SAR
Net assets value, at the beginning of the year		641,694,929	573,878,182
Net profit for the year		30,528,929	18,238,477
Proceeds from issuing units during the year	1	-	80,600,000
Dividends during the year	21	(33,373,239)	(31,021,730)
Net assets value, at end of the year		638,850,619	641,694,929

Unit transactions

Below is a summary of unit transactions for the year:

	For the year ended 31 December 2021	For the year ended 31 December 2020
	Units	Units
Units at the beginning of the year	68,108,652	60,000,000
Issued units during the year	-	8,108,652
Units at end of the year	68,108,652	68,108,652

Mohamed Abdullatif Nawas
Operations Manager

Omar bin Abdulkarim Alothaim
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	For the year ended 31 December 2021	For the year ended 31 December 2020
	SAR	SAR
Cash flows from operating activities		
Net profit for the year before Zakat	31,954,428	18,238,477
Adjustments to reconcile net profit with net cash available from operating activities:		
Depreciation of investment properties	12,220,502	11,762,579
Finance charges	9,361,034	14,944,759
Provision for expected credit losses	9,356,644	6,426,809
Impairment of investment properties	935,559	3,269,111
Zakat of previous years	698,360	-
Murabaha deposits revenue	(5,376)	(35,417)
	<u>64,521,151</u>	<u>54,606,318</u>
Change in operating assets and liabilities		
Account receivable from lease	(11,157,048)	(13,018,702)
Accrued revenue	(2,404,168)	(2,404,168)
Prepaid expenses and other debit balances	82,569	1,706,724
Unearned lease revenue	1,371,979	(2,048,452)
Due to a related party	(90,042)	(8,540,963)
Accrued expenses and other credit balances	(1,314,347)	1,163,359
Result from operations	<u>51,010,094</u>	<u>31,464,116</u>
Finance charges repaid	(11,161,283)	(14,868,870)
Net cash generated from operating activities	<u>39,848,811</u>	<u>16,595,246</u>
Cash flows from investing activities		
Purchase investment properties	(733,329)	(206,537,500)
Murabaha deposits revenue	5,376	32,750
Net cash used in investing activities	<u>(727,953)</u>	<u>(206,504,750)</u>
Cash flows from financing activities		
Long-term loan	83,000,000	342,600,000
Repayment of long-term loan	(342,600,005)	-
Dividends	(33,373,239)	(31,021,730)
Proceeds from issuing units	-	80,600,000
Payment of deferred financing cost	(166,000)	(1,100,200)
Net cash (used in)/ available from financing activities	<u>(293,139,244)</u>	<u>391,078,070</u>
The net change in cash and cash equivalent during the year	<u>(254,018,386)</u>	<u>201,168,566</u>
Cash and cash equivalent at the beginning of the year	<u>270,854,096</u>	<u>69,685,530</u>
Cash and cash equivalent at end of the year	<u>16,835,710</u>	<u>270,854,096</u>

Mohamed Abdullatif Nawas
Operations Manager

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The accompanying notes (1) to (26) form an integral part of these financial statements.

**MULKIA GULF REAL ESTATE REIT FUND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1- The FUND AND ITS ACTIVITIES

Mulkia Gulf Real Estate REIT Fund (“the Fund”) is a Sharia-compliant closed publicly-traded real estate investment fund. The main objective of the Fund is to acquire pre-developed real estate properties to obtain regular rental income, or under construction no more than 25% of the total value of the fund’s assets, and distribute a minimum of 90% of the Fund’s net income to unitholders during the lifetime of the Fund at least once annually within 90 days after the financial year-end which ends on December 31.

The Fund started its operations on 16 Safar 1439 H (corresponding to 5 November 2017).

During 2020, additional units were issued for in-kind subscriptions, as the number of issued units reached 8,108,652 units, and the price per unit was 9.94 Saudi riyals, as the total proceeds from issuing units amounted to 80,600,000 Saudi riyals.

During 2021 based on the approval of the Fund’s Board of Directors and the approval of the Capital Market Authority the fund has been converted to be a special purpose entity (SPE).

During 2021, the Zakat, Tax and Customs Authority approved the voluntary registration of real estate investment traded funds. The Capital Market Authority announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations, so that fund managers wishing to obtain a special purpose entity license can apply to the Authority from the date these regulations come into act on May 1, 2021.

The Fund is managed by Mulkia Investment Company. The address of the Fund Manager is:

Mulkia Investment Company, Prince Muhammad Bin Abdulaziz Road - Al-Olaya area, P.O. Box 52775 - Riyadh 11573, Kingdom of Saudi Arabia.

2- REGULATING AUTHORITY

The Fund is subject to the Real Estate Investment Funds Regulations issued by the Board of the Capital Market Authority pursuant to Resolution No. 1-193-2006 dated 19 Jumada II 1427 H (corresponding to July 15, 2006) and amended by Resolution No. 2-22-2021 dated Rajab 12, 1442 H (corresponding to February 24, 2021 G) The fund is also subject to the investment fund regulations issued by the Capital Market Authority, the Capital Market Law and its executive regulations, and other relevant laws and regulations applicable in the Kingdom of Saudi Arabia

3- BASIS OF PREPARATION OF FINANCIAL STATEMENTS

3-1 Basis of preparation

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

Based on the circular of the Capital Market Authority (CMA) dated 16 October 2016, all funds must apply the cost model to measure the property, plant, equipment, investment property, and intangible assets upon adopting the International Financial Reporting Standards (IFRS) for three years period starting from the IFRS adopting date.

On 31 December 2019, the CMA reviewed the appropriateness to continuing using the cost model, permitting the use of a fair value model or a revaluation option, and resolved the following:

- All listed companies are obliged to apply the cost model to measure the properties (IFRS 16) and investment property (IAS 40) in the financial statements prepared for the fiscal periods during the fiscal years starting before 2022.
- All listed companies are allowed to choose the Fair Value Model for an investment property after initial measurement or the Revaluation Model to measure property (IAS 16) after initial recognition in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022 or after.

3-2 Basis Measurement

The financial statements have been prepared on a historical cost convention unless IFRS requires the use of another measurement basis, as indicated in the applied accounting policies (Note 5), and in accordance with the accrual principle and going concerned.

The financial statements are presented in Saudi Riyals being the functional and presentation currency for the fund.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

4- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

4.1 New standards, Amendments to Standards and Interpretations

The Fund adopted the following new standards and amendments for the first time as of January 1, 2021.

4.1.1 Amendments to IFRS 7 and IFRS 16 Interest Rate Measurement Correction - Phase II

Phase II adjustments address issues that arise from implementing reforms, including substituting standard rates for alternative prices. The Phase II amendments provide additional temporary exemptions from applying the hedge accounting requirements of IAS 39 and IFRS 9 to hedging relationships directly affected by the interest rate index reform.

4.1.2 Amendment to IFRS 16, "Leases" - COVID-19 Lease Concessions.

As a result of the COVID-19 pandemic, lease concessions were granted to tenants. In May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical means for lessees to assess whether a COVID-19 related lease concession is an amendment to IFRS 16. For the lease, on March 31, 2021 AD, the IASB published a further amendment to extend the date from June 30, 2021 AD to June 30, 2022 AD. Lessees can choose to account for lease concessions in the same way they would if there were no rent adjustments. In some cases, this results in accounting for the lien as variable lease payments in the period(s) in which the event or circumstance that gave rise to the discounted payment occurred.

The application of these amendments does not have any material impact on the financial statements during the year.

4.2 Amendments issued and not yet in effect

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2022, with early application permitted, but the Fund did not apply them when preparing these financial statements.

4.2.1 Amendments to International Accounting Standard No. 1, "Presentation of Financial Statements", on the classification of liabilities.

These narrowly defined amendments to IAS 1, Presentation of Financial Statements, clarify that liabilities are classified as current or non-current, depending on the rights in place at the end of the reporting period. The classification is not affected by the entity's expectations or by events after the reporting date (for example, receipt of a waiver or breach of a promise). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of an obligation.

4.2.2 Amendments to IFRS 3 and IAS 16 and 37

- IFRS 3 "Business combinations" updates a reference in IFRS 3 to the Financial Reporting Conceptual Framework without changing the accounting requirements for business combinations.

- International Accounting Standard No. 16, "Property, plant and equipment" prohibits the fund from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the fund prepares the asset for its intended use. Instead, the fund will recognize such sales proceeds and related costs in profit or loss.

- IAS 37, "Provisions, Liabilities and Contingent Assets" specifies the costs included in the fund when assessing whether the contract will cause a loss.

4.2.3 Amendments to IAS 1, Statement of Practice 2, and IAS 8

The amendments aim to improve accounting policy disclosures and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.

4.2.4 Amendment to IAS 12 Deferred tax relating to assets and liabilities arising from a single transaction

These amendments require entities to recognize deferred tax on transactions that, on initial recognition, result in equal amounts of deductible and taxable temporary differences.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies are applied by the Fund:

Use of estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. These estimates and judgments are based on management's best knowledge of current events and actions and other factors which form a base for estimating the carrying amount of assets and liabilities which cannot be easily determined from other sources. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognized prospectively.

Below are estimation and judgments that have a material impact on the amounts reported in the financial statements:

- Estimation of useful lives of investment property

Management reviews the useful lives of investment property to calculate depreciation. These estimates are determined after taking into account the expected use of assets, obsolescence, and damage. The management reviews the residual value and useful lives annually and changes in depreciation expenses in current and future periods if any-

- Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") 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 are 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 ("DCF") 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 CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

- Impairment of non-derivative financial assets

The Fund recognizes allowances for expected credit losses ("ECL") for financial assets measured at amortized cost such as trade accounts receivable. The Fund assesses future credit losses using the ECL model for financial assets measured at amortized cost. For trade accounts receivable, the Fund applies the simplified approach, which measures the loss allowance at an amount equal to lifetime expected credit losses for all trade accounts receivable since the initial recognition. To assess the ECL, accounts receivable are grouped based on shared risk characteristics and aging. The expected loss rates were calculated based on historical information of the Fund and adjusted to reflect the expected future results which include future information on macroeconomic factors such as inflation and GDP growth rate. Other financial assets such as employees' receivables and bank balances have low credit risk and applying the ECL model is considered insignificant.

- Fair value measurements of financial instruments including derivative financial instruments

When the fair value of the financial assets and liabilities in the statement of financial position cannot be measured based on quoted prices in an active market, when IFRS require those assets or liabilities to be measured based on fair value, their fair value is determined using valuation techniques including using the present value of expected cash flows or any other techniques as stated in IFRS (13). The inputs to these techniques are taken from active markets, where possible. However, if this is not possible, a degree of judgment is required to determine the fair value and such estimates take liquidity risk, credit risk, and volatility into account. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalent

Cash and cash equivalent comprise cash at bank, term deposits, and highly-liquid investments with an original maturity of three months or less from the acquisition date.

Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and at cost less accumulated depreciation and impairment losses if any.

Investment properties are derecognized when they are sold, owner - occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings. Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self - constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

The useful life of components of investment properties are as follow:

<u>Statement</u>	<u>Years</u>
Buildings	40 years

The fair value of investment properties is disclosed in the notes to the financial statements.

Projects under Construction

Projects under implementation are stated at the cost representing construction works on the Fund's lands, including consultancy, demolition, site leveling, rock cutting, supervision, construction work and other costs related to the movable assets of the site and its readiness to work for its specified purpose. Which will be transferred to investment properties when ready for use.

Impairment in the value of assets

Impairment losses in the value of tangible assets, if any, are recognized in the statement of profit or loss if the carrying amount of the asset exceeded the When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized as revenue immediately in the statement of profit or loss.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that relate directly to the purchase or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through the statement of profit or loss) are added to the fair value of financial assets and financial liabilities or deducted from them, as appropriate, upon initial recognition. Transaction costs that are directly related to the purchase of financial assets and liabilities and are measured at fair value through the statement of profit or loss are recognized directly in the statement of profit or loss.

First: Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'financial assets 'at fair value through other comprehensive income, and financial assets at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

A) Financial assets at fair value through statement of profit & loss

Financial assets are classified as held for trading, or it is designated at FVTPL by the Fund.

A financial asset is classified as held for trading if:

- It has been acquired principally for selling it in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in the statement of profit or loss.

Dividends or interest earned on the financial asset are recognized in the statement of profit or loss.

B) financial assets measured at fair value through comprehensive income (FVOCI)

Profits and losses arising from changes in fair value are included in the statement of other comprehensive income and are added to the statement of accumulated changes in fair value of investments within equity other than impairment losses which are included in the statement of profit and loss. If the investment is disposed or suffered an impairment, profits and losses resulted from the previous evaluation which was recognized in investment revaluation reserve are included in the statement of other comprehensive income.

Dividends income from investments is recognized in equity instruments at fair value through the statement of other comprehensive income when the Group's right to receive payment has been established and is shown as income in the statement of profit or loss unless dividends represent a recovery of part of the investment cost. Other profits and losses are recognized in the statement of other comprehensive income and are never reclassified to the statement of profit or loss.

C) Financial assets acquired at amortized cost

Receivables including trade and other receivables, bank balances, and cash are measured at amortized cost using the effective interest method, less any impairment loss which is recognized in the statement of profit or loss.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

The Fund applies the simplified approach in the IFRS 9 to measure expected credit losses and makes provision for lifetime expected credit losses.

Second: Financial liabilities

Financial liabilities (including borrowings and trade payables) are initially and subsequently measured at amortized cost using the effective interest method.

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, canceled, or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss.

-Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Loans

Loans are recognized initially at the transaction price (that is, the present value of the cash amounts owed to the financing party, including transaction costs). Loans are measured at amortized cost.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed or not by suppliers.

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5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and Income tax

During the year 2021, the Zakat, Tax and Customs Authority approved the voluntary registration of real estate investment traded funds. The Capital Market Authority announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations, so that fund managers wishing to obtain a special purpose entity license can apply to the Authority from the date these regulations come into act on May 1, 2021.

Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, the Fund will probably be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Net Assets Value

Net assets value per unit, as disclosed in the statement of net assets is calculated by dividing the net assets of the Fund by the numbers of units in issue as at the year-end.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Revenue Recognition

Revenue from sales of investments properties is recognized when significant risks and rewards of ownership are transferred to the buyer under a legal title deed or by a binding legal declaration when the amount of revenue can be collected and measured reliably.

Rental income from operating leases of investment properties is recognized on a straight-line basis over the term of the relevant lease or another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

Other revenue is recognized when realized.

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5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses

Expenses are recognized on an accrual basis and the Fund Manager fees are charged at an agreed rate with the Fund Manager. These expenses are calculated on a Semi-annual basis and these expenses are charged to the statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets until the assets are substantially ready for their intended use. Otherwise, these costs are charged to the statement of profit or loss.

Foreign Currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss.

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6- CASH AND CASH EQUIVALENT

	31 December 2021	31 December 2020
	<u>SAR</u>	<u>SAR</u>
Bank balances	16,835,710	267,854,096
Murabaha deposits*	-	3,000,000
	<u>16,835,710</u>	<u>270,854,096</u>

*Murabaha deposits represented deposits with Bank Albilad,. The following is a statement of that deposit and its maturity date:

<u>The deposit period</u>				<u>Amount</u>
<u>From</u>	<u>To</u>	<u>Days</u>	<u>Annual return</u>	<u>SAR</u>
29/10/2020	26/01/2021	90	% 0,50	<u>3,000,000</u>

In addition to the attached murabaha deposit, where the return on this deposit amounting to 1,083 SAR, During the year the fund have a number of bank deposits in a bank with a good credit rating. Where the value of this deposits amounting to 12,500,000 SAR was recovered and the return on this deposits amounting to 4,293 SAR. Where the actual return on deposits during the year amounting to Saudi riyals 5,376 (Note 16).

7- INVESTMENT PROPERTIES, NET

The following are the components of investments properties at historical cost:

	<u>Lands</u>	<u>Buildings</u>	<u>Projects under</u>	<u>Total</u>
	<u>SAR</u>	<u>SAR</u>	<u>construction</u>	<u>SAR</u>
			<u>SAR</u>	
Cost				
As at 1 January 2021	504,179,900	488,550,588	15,562,500	1,008,292,988
Additions during the year	-	723,329	10,000	733,329
As at 31 December 2021	<u>504,179,900</u>	<u>489,273,917</u>	<u>15,572,500</u>	<u>1,009,026,317</u>
Accumulated depreciation				
As at 1 January 2021	-	28,592,974	-	28,592,974
Charged to the year	-	12,220,502	-	12,220,502
As at 31 December 2021	-	<u>40,813,476</u>	-	<u>40,813,476</u>
Impairment of investment properties				
As at 1 January 2021	(12,383,268)	(5,703,359)	(104,274)	(18,190,901)
Change during the year	704,499	2,095,328	(3,735,386)	(935,559)
As at 31 December 2021	<u>(11,678,769)</u>	<u>(3,608,031)</u>	<u>(3,839,660)</u>	<u>(19,126,460)</u>
Net carrying amount				
As at 31 December 2021	<u>492,501,131</u>	<u>444,852,410</u>	<u>11,732,840</u>	<u>949,086,381</u>

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7- INVESTMENT PROPERTIES, NET (CONTINUED)

	Lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
Cost				
As at 1 January 2020	407,543,606	378,649,382	15,562,500	801,755,488
Additions during the year	96,636,294	109,901,206	-	206,537,500
As at 31 December 2020	504,179,900	488,550,588	15,562,500	1,008,292,988
Accumulated depreciation				
As at 1 January 2020	-	16,830,395	-	16,830,395
Charged to the year	-	11,762,579	-	11,762,579
As at 31 December 2020	-	28,592,974	-	28,592,974
Impairment of investment properties				
As at 1 January 2020	(10,385,189)	(3,957,328)	(579,273)	(14,921,790)
Change during the year	(1,998,079)	(1,746,031)	474,999	(3,269,111)
As at 31 December 2020	(12,383,268)	(5,703,359)	(104,274)	(18,190,901)
Net carrying amount				
As at 31 December 2021	491,796,632	454,254,255	15,458,226	961,509,113

Investment properties are recorded at historical cost. The fair value of the investment properties has been determined based on the average of two valuations of market value made by independent valuation experts (Note 14). These values are based on estimates by independent valuers due to the uncertainty of estimates.

Investment properties are as follows:

- West Avenue Building: It is a commercial building (Mall) in Al-Faisaliah district, Dammam.
- The Elite "Elite Mall": A complex of restaurants, cafes and offices on Prince Abdulaziz Bin Musaed bin Jiluwi Road in Sulaymaniyah district in Riyadh.
- Vivienda Complex: It is a hotel villas complex located in Prince Faisal bin Fahd bin Abdulaziz Road in, Al-Hada district, Riyadh.
- Dinar Commercial Building: It is a commercial building in the Al-Zahra District, Jeddah.
- Teqnia Industrial Commercial Complex: It is an industrial and commercial complex consisting of five auto maintenance centers, two auto showrooms, and a spare parts center located in the southeast of Riyadh.
- Furnished apartments building in the Namudhajiya district: It is a building licensed as a furnished "3-star" accommodation facility in A Namudhajiya District in Riyadh.
- Al-Yasmeen Building: It is a residential building in the Al-Yasmeen district, north of Riyadh.
- Al-Sheraa district project: It is a commercial two buildings project dedicated to restaurants and cafes in Al-Sheraa district, Jeddah. It is included in under-construction projects. Work is still ongoing to deliver public facilities to the property and complete necessary licenses.
- Khamis Mushait Building: It is two buildings dedicated to restaurants and cafes in Khamis Mushait city.
- Obhur Building: It is a restaurant building in Obhur Al Shamaliyah district, Jeddah,

The title deeds of the investment properties are registered in the name of Tamdeen First Real Estate Company, a company established for the purpose of legally holding the assets of the Fund in accordance with CMA Resolution No. 1/6/4902/17 dated September 28, 2017. The investment properties of the Fund are mortgaged in favor of Al-Rajhi Development Company Ltd. (a subsidiary of Al-Rajhi Bank), with a coverage rate of no less than 200% of the total facilities as a guarantee for the financing granted to the Fund, provided that the mortgage of these sukuk will be released after the full value of the Al-Rajhi Bank loan has been paid. (Note 9).

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8-ACCOUNT RECEIVABLE FROM LEASE, NET

	31 December 2021	31 December 2020
	<u>SAR</u>	<u>SAR</u>
Account receivable from lease	49,247,923	38,090,875
Less		
Provision for expected credit losses	<u>(16,165,391)</u>	<u>(6,808,747)</u>
	<u>33,082,532</u>	<u>31,282,128</u>

The movement in the expected credit losses is as of December 31 as follows:

	31 December 2021	31 December 2020
	<u>SAR</u>	<u>SAR</u>
Balance at beginning of the year	6,808,747	381,938
Provided during the year	<u>9,356,644</u>	<u>6,426,809</u>
Balance at end of the year	<u>16,165,391</u>	<u>6,808,747</u>

The aging analysis of receivables at the reporting dated is presented as follow:

Year	From 1- 60 days	From 61- 90 days	From 91- 120 days	From 121- 180 days	From 181- 270 days	From 271- 365 days	Total
2021	<u>14,023,375</u>	<u>5,725,643</u>	<u>526,125</u>	<u>700,000</u>	<u>5,527,034</u>	<u>22,745,746</u>	<u>49,247,923</u>
2020	<u>2,734,375</u>	<u>17,586,267</u>	<u>320,250</u>	<u>737,188</u>	<u>5,227,761</u>	<u>11,485,034</u>	<u>38,090,875</u>

Receivables on lease contracts were impaired by SAR 16,165,391 as at December 31, 2021 (2020: SAR 6,808,747). Receivables on lease contracts includes receivables that are past due but not impaired. Based on past experience, it is expected that all receivables for lease contracts that have not been fully impaired will be collected. In addition to the existence of other guarantees in the form of warrants.

9-LONG - TERM LOAN

The Fund obtained a credit facility from Bank Albilad amounting to Saudi riyals 300,000,000 during 2018, in order to finance the activities of the Fund by mortgaging the real estate instruments of the Fund subject to the financing in the name of Albilad Real Estate Company with a coverage rate of no less than 175% of the value of the facility, and on November 19, 2019 increased the credit facility limit from Bank Albilad, bringing the total financing to Saudi riyals 600,000,000, and the facility was paid in full during the year.

A credit facility was also obtained from Al Rajhi Bank in the amount of 600,000,000 Saudi riyals on December 29, 2020 AD, in order to finance the activities of the Fund and pay the balance of the loan based on the Fund with Bank Albilad, by guaranteeing the mortgage of the real estate instruments invested in the Fund with a coverage rate of no less than 200% of the total value of the facilities (Note 7), where the user of the facility as on December 31, 2021 AD amounted to 342,599,995 Saudi riyals, provided that he pays all the amounts due after seven years from the date of the first withdrawal.

The movement in financing facility is as follows:

	31 December 2021	31 December 2020
	<u>SAR</u>	<u>SAR</u>
Balance at beginning of the year	602,200,000	259,600,000
Withdrawn during the year	<u>83,000,000</u>	<u>342,600,000</u>
Total proceeds from financing	<u>685,200,000</u>	<u>602,200,000</u>
Paid during the year	<u>(342,600,005)</u>	<u>-</u>
	<u>342,599,995</u>	<u>602,200,000</u>
Less;		
Deferred financing cost	<u>(590,785)</u>	<u>(605,332)</u>
	<u>342,009,210</u>	<u>601,594,668</u>

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10- UNEARNED LEASE REVENUE

Unearned Lease Revenue represents billed amounts on investment properties lease revenue and does not belong to the year ended 31 December 2021 and this unearned lease revenue amounted to SAR 17,633,010 as of 31 December 2021 (31 December 2020 SAR 16,261,031).

11- RELATED-PARTY TRANSACTIONS

Related parties to the Fund comprise Unitholders, Fund Manager, members of the board of directors, and other funds managed by the Fund Manager. In the ordinary course of business, the Fund transacts with related parties. The related parties' transactions are governed by the regulations issued by CMA. All transactions with the related parties are approved by the Fund's Board of Directors. The Fund pays the Fund Manager a management fee of 1 % per annum calculated on the net assets of the Fund calculated and paid half-yearly for the purpose of calculating management fees is based on the fair value of the investment in real estate properties. (Note 14). The Fund pays the following fees as well

- Capital structure fees: The Fund Manager or any other party who arranges the capital structure charges the Fund a fee up to 1% of the total of any subscription amounts collected during future offering periods or upon collecting any other subscription amounts, whether in cash (by issuing priority rights) or in kind. The capital structuring fee is paid once, immediately after closing any capital-raising process.
- Finance structure fees: The Fund Manager or any other party charges the Fund a financing structuring fee up to 1% of the total amount withdrawn under any bank facilities.
- Acquisition fee: The Fund Manager charges the Fund a one-time acquisition fee of up to 1% of the sale or acquisition value of any real estate asset throughout the term of the Fund.

A) significant transactions with the related party during the year:

Related party	Nature of transaction	Size of the transaction during the year ended December 31	
		2021 SAR	2020 SAR
Mulkia Investment Company	Fund management fees	10,151,360	9,824,179
	Acquisition fees	-	2,015,000
	Capital structure fees	-	806,000
	Finance structure fees	-	830,000
	Expenses paid on behalf	1,215,321	227,885
Board of Directors	Attendance allowance	30,000	30,000

B) Below are balances due to a related party as of 31 December:

Related party	Nature of transaction	31 December 2021	31 December 2020
		SAR	SAR
Mulkia Investment	Management fees	5,852,533	5,819,259
	Expenses paid on behalf	77,633	200,949
		5,930,166	6,020,208

The unitholders who own more than 5% of the fund's units as on December 31, 2021 are:

Gulf Real Estate Company
Abdul Latif Al-Issa Group Limited Company
Mr. Khalid Abdulaziz Mohammad bin Nafjan

12- ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2021 SAR	31 December 2020 SAR
Finance charges due	2,959,328	4,940,124
Accrued fees	71,067	61,938
Accrued expenses	30,000	15,000
Advance payments from clients	-	1,380,821
Others	92,345	50,000
	3,152,740	6,447,883

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13- ZAKAT PROVISION

During the year 2021, the Zakat, Tax and Customs Authority approved the voluntary registration of real estate investment traded funds. The Capital Market Authority announced the approval of the amendment of both the Investment Funds Regulations and the Real Estate Investment Funds Regulations, so that fund managers wishing to obtain a special purpose entity license can apply to the Authority from the date these regulations come into act on May 1, 2021.

a) The principal elements of Zakat base are the following:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SAR	SAR
Equity	641,694,929	-
Non-current liabilities	355,092,799	-
Non-current Assets	(982,459,620)	-
Net profit	<u>42,246,631</u>	<u>-</u>

b) Below is the movement in Zakat provision:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SAR	SAR
Balance at the beginning of the year	-	-
Provided during the year	1,425,499	-
Zakat for previous years	698,360	-
Balance at the end of the year	<u><u>2,123,859</u></u>	<u><u>-</u></u>

14- THE IMPACT ON NET ASSETS IF INVESTMENT PROPERTIES MEASURED AT FAIR VALUE

According to the Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the fund manager must value the fund's assets based on the average of two valuations prepared by independent valuation experts. As indicated in the Fund's terms and conditions, the declared net asset value and management fees have been calculated based on the market value obtained. In accordance with International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses (if any).

The fair value of investment properties is determined by two appraisers: Vale & Partner Real Estate Appraisal and Evaluation Company (an independent valuer approved by the Saudi Authority for Accredited Valuers) License holder No. 1210001114 and a real estate appraisal office (an independent valuer approved by the Saudi Authority for Accredited Valuers) License holder No. 1210001114 1210000037, where the evaluators' valuation of investment properties amounted to 981,059,472 and 989,000,000 SAR, respectively, and the average valuation of investment properties as on December 31, 2021, amounted to 985.03 million Saudi riyals (December 31, 2020: 983.20 million SAR).

1- Below is a statement of the unrealized gains from properties that were identified based on real estate valuation processes (fair value) as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SAR	SAR
Fair value of investment properties	985,029,736	983,195,758
The net carrying amount of investment properties (Note 7)	(949,086,381)	(961,509,113)
Unrealized gains determined based on real estate valuation	35,943,355	21,686,645
Issued units	68,108,652	68,108,652
Unit share in unrealized gains based on real estate valuation	<u><u>0.53</u></u>	<u><u>0.32</u></u>

2- Below is the analysis of net assets using fair value:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	SAR	SAR
Net assets value at cost presented in these financial statements	638,850,619	641,694,929
Unrealized gains determined based on real estate valuation (Note 14-1)	35,943,355	21,686,645
Net assets value at fair value	<u><u>674,793,974</u></u>	<u><u>663,381,574</u></u>

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14- THE IMPACT ON NET ASSETS IF INVESTMENT PROPERTIES MEASURED AT FAIR VALUE (CONTINUED)

3-Below is the analysis of net assets per unit using the fair value of properties:

	31 December 2021	31 December 2020
	SAR	SAR
Net assets value per unit at cost presented in these financial statements	9.38	9.42
Impact on net assets value per unit as a result of unrealized gains determined based on real estate valuation (Note 14-1)	0.53	0.32
Net assets value per unit at fair value	9.91	9.74

15- LEASES REVENUE OF INVESTMENT PROPERTIES, NET

	2021	2020
	SAR	SAR
Revenue of investment properties	76,518,528	76,784,845
(Less):		
Discounts offered to customers	-	(7,367,287)
	76,518,528	69,417,558

16- OTHER REVENUES

	2021	2020
	SAR	SAR
Compensations	-	571,429
Murabaha deposits revenue (Note 6)	5,376	35,417
	5,376	606,846

17- FINANCE CHARGES

	2021	2020
	SAR	SAR
Interest on long-term bank financing	9,180,487	12,888,557
Amortization of deferred financing expenses	180,547	2,056,202
	9,361,034	14,944,759

18- OTHER ADMINISTRATIVE EXPENSES

	2021	2020
	SAR	SAR
Securities Depository Center Fees (Edaa)	408,000	401,000
Insurance expenses	201,739	209,631
Professional fees	194,875	398,128
Tadawul fees	191,246	187,710
Investment properties valuation expenses	166,500	218,000
Zakat for previous years*	698,360	-
Other	438,174	253,732
	2,298,894	1,668,201

*During the year 2020, the fund manager announced the approval of the board of directors to start the procedures for registering the fund with the Zakat, Tax and Customs Authority, and that the fund would bear the value of the zakat obligations for the year 2020 and any related expenses, and those obligations amounted to 698,360 SAR. And the procedures for registering the fund with the Zakat, Tax and Customs Authority have been completed for the purposes of supplying and paying Zakat on behalf of the fund's unitholders.

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19- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Financial instruments consist of financial assets and financial liabilities.

The Fund follows the following hierarchy to determine the fair value of investment properties and to disclose them:

Level 1: Quoted prices in active markets for the identical property (without adjustment or addition).

Level 2: Quoted prices in an active market for similar assets and liabilities or other valuation techniques, which are all significant inputs based on observable market data:

Level 3: Valuation techniques where significant inputs are not based on observable market data.

The valuation of the fair value of investment properties is at level 3. The table shows the breakdown as at 31 December 2021 and 31 December 2020:

31 December 2021	Level 1	Level 2	Level 3	Total
Investment properties	-	-	985,029,736	985,029,736
Total	-	-	985,029,736	985,029,736
31 December 2020	Level 1	Level 2	Level 3	Total
Investment properties	-	-	983,195,758	983,195,758
Total	-	-	983,195,758	983,195,758

20- RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation to a financial instrument contract to fulfill its contractual obligations, which leads to the company incurring financial losses. The fund is exposed to credit risk on its balances as follows:

	31 December 2021	31 December 2020
	SAR	SAR
Account receivable from lease	49,247,923	38,090,875
Cash at banks	16,835,710	270,854,096
	66,083,633	308,944,971

Commission rate risk

It is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates in the market. Fund Manager monitors changes in commission rates in the market and their impact on the Fund's activities.

Currency risk

It is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. Fund Manager monitors the currency rate changes and believes that the impact of currency rate changes on the Fund is not significant as the Fund primarily deals in Saudi Riyal.

Liquidity risks

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments that the Fund commits to in the interest of others.

To reduce the liquidity risk and associated losses which may affect the business of the fund, the fund maintains, wherever possible, sufficient highly liquid current assets in all business conditions. The fund avoids financing long-term capital requirements and its activities related to current accounts with related parties through short-term borrowings. The fund has a highly dynamic cash flow policy and a system by which it can estimate the maturity dates of its liabilities and develop appropriate plans to provide the required funding to meet these liabilities in a timely manner.

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20- RISK MANAGEMENT (CONTINUED)

Liquidity risks (Continued)

Below are the maturities of assets and liabilities as of 31 December 2021:

31 December 2021	less than one year SAR	From 1 year to 5 years SAR	More than 5 years SAR	Total SAR
Assets				
Account receivable from lease	49,247,923	-	-	49,247,923
Accrued revenue	-	-	9,850,562	9,850,562
Prepaid expenses and other debit balances	844,419	-	-	844,419
Total	50,092,342	-	9,850,562	59,942,904
Liabilities				
Long-term loan	-	-	342,009,210	342,009,210
Unearned Lease Revenue	17,633,010	-	-	17,633,010
Due to a related party	5,930,166	-	-	5,930,166
Accrued expenses and other credit balances	3,152,740	-	-	3,152,740
Zakat provision	2,123,859	-	-	2,123,859
Total	28,839,775	-	342,009,210	370,848,985

Below are the maturities of assets and liabilities as of 31 December 2020:

31 December 2020	less than one year SAR	From 1 year to 5 years SAR	More than 5 years SAR	Total SAR
Assets				
Account receivable from lease	38,090,875	-	-	38,090,875
accrued revenue	-	-	7,446,394	7,446,394
Prepaid expenses and other debit balances	926,988	-	-	926,988
Total	39,017,863	-	7,446,394	46,464,257
Liabilities				
Long-term loan	342,513,868	-	259,080,800	601,594,668
Unearned Lease Revenue	16,261,031	-	-	16,261,031
Due to a related party	6,020,208	-	-	6,020,208
Accrued expenses and other credit balances	6,447,883	-	-	6,447,883
Total	371,242,990	-	259,080,800	630,323,790

21- DIVIDENDS

During the year ending on December 31, 2021, the fund manager decided to distribute dividends amounting to a total of SAR 33,373,239 (2020 amount of SAR 31,021,730).

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22- LAST VALUATION DATE

The last evaluation day of the year was 31 December 2021 (for the year ended 31 December 2020: 31 December 2020).

23- GENERAL

The figures in these accompanying financial statements are rounded to the nearest Saudi Riyal.

24- IMPORTANT MATTERS DURING THE YEAR

Due to the spread of coronavirus (COVID-19) in the region and in the world, which is considered a pandemic disrupting commercial and economic activities internationally and locally in the Kingdom, the Fund Manager is unable to determine the future impact of such events on the financial statements of the Fund and its results as they are linked to decisions of the government. It is not possible to determine the extent of this crisis, and government officials will continue to monitor the situation and provide stakeholders with developments as required by the laws and regulations.

25- SUBSEQUENT EVENTS

- On January 30, 2022 AD, the fund manager announces signing an acquisition agreement to acquire a new real estate property (Aljadah commercial hospitality property) located in the Qurtobah, Riyadh city, the acquisition process will take place into two phases, phase one will be against a cash payment through the fund's available financing to acquire a percentage of 63.61% of the property, and the second phase of acquisition of the remaining percentage of the property will be through fund's capital increase through in-kind units with an amount of 35,000,000 SAR will be issued for the property owners and the remaining amount will be collected through public offering after obtaining the required approvals as per the regulatory requirements, where the total Property Acquisition price: 335,000,000 SAR not including the VAT and the brokerage commission fees.
- On January 17, 2022 AD, the fund manager announced the distribution of cash dividends to the fund unitholders for the period from October 1, 2021 AD to December 31, 2021 AD in the amount of 12,259,557 SAR.

Except mentioned above, in the opinion of the management, there were no other significant events after 31 December 2021 that are expected to have a significant impact on these financial statements as of 31 December 2021.

26- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the Fund on 25 Shaban 1443 H (March 28, 2022).