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)

The Consolidated Financial Statements and Independent Auditor's Report

for the Year Ended 31 December 2022

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)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

TO TO THE UNITHOLDERS MULKIA GULF REAL ESTATE REIT FUND

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the MULKIA GULF REAL ESTATE REIT Fund ("the Fund") and Managed by Mulkia Investment Company (Fund Manager) as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the fund, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2022;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in net assets for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Intenational Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent from 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 consolidated financial statements and we have fulfilled our other 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 are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

TO TO THE UNITHOLDERS MULKIA GULF REAL ESTATE REIT FUND

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
MULKIA GULF REAL ESTATE REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses. 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. 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. 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.	For impairment of investment properties, we have carried out the following audit procedures: - We obtained two valuation reports from independent real estate evaluators Taqeem certified for each investment properties as at ٣١ December ٢٠٢٢ and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; - 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; - Involved our specialist to assess the key assumptions and estimates, such as discount rate, capitalization rate, occupancy rate and growth rate, used by the real estate valuation experts in determining the fair values of the investment properties. - 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 a material impairment impact and thus recorded by the Fund\`s management; and - We reconciled the average fair value of the investment properties as per note ١٥ to the external valuers' reports.

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

TO TO THE UNITHOLDERS MULKIA GULF REAL ESTATE REIT FUND

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Other information consists of the information included in the Fund's 202٢ annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

OTHER MATTER

The financial statements of the Fund for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion dated ٢٨ March 2022 (corresponding to ٢٥ Sha'ban 1443H).

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSILDATED FINANCIAL STATEMENTS

Fund's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable provisions of the Real Estate Investment funds regulations issued by the Capital Market Authority and the fund's terms and conditions, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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, are responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO TO THE UNITHOLDERS MULKIA GULF REAL ESTATE REIT FUND

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 "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 consolidated financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO TO THE UNITHOLDERS MULKIA GULF REAL ESTATE REIT FUND

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
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License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ahmad Mohandis
Certified Public Accountant
License No. 477
Riyadh: 8 Ramadan 1444
Corresponding to: 30 March 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022 SAR	31 December 2021 SAR Unconsolidated
Assets			
Cash and cash equivalent	6	**20,125,033**	16,835,710
Inventory		**239,711**	-
Investment properties, net	7	**1,273,294,136**	949,086,381
Rent receivable, net	8	**34,333,108**	33,082,532
Accrued revenue		**12,166,001**	9,850,562
Assets of derivative contracts	17	**306,713**	-
Prepaid expenses and other debit balances	17	**4,968,000**	844,419
Total assets		**1,345,432,702**	1,009,699,604
Liabilities			
Long-term loan	9	**576,200,973**	342,009,210
Accounts payable	13	**122,774,108**	-
Unearned lease revenue	10	**15,541,668**	17,633,010
Accrued expenses and other credit balances	12	**18,408,464**	3,152,740
Due to a related party	11	**10,632,786**	5,930,166
Provision for end of service benefits for hotel employees		**188,150**	-
Provision for the renovation of hotel assets		**415,656**	-
Zakat provision	14	**1,041,539**	2,123,859
Total liabilities		**745,203,344**	370,848,985
Equity attributable to Unitholders			
Net assets attributable to Unitholders		**600,229,358**	638,850,619
Issued units (numbers)		**68,108,652**	68,108,652
assets value per unit – book value		**8.813**	9.380
assets value per unit – fair value	15	**9.608**	9.908

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 (30) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SAR	2021 SAR Unconsolidated
Revenues			
Rental and operating Revenue	16	**95,848,042**	76,518,528
Other revenue		**166,921**	5,376
Total revenues		**96,014,963**	76,523,904
Expenses			
Finance charges	18	**(22,266,304)**	(9,361,034)
Depreciation of investment properties	7	**(17,973,629)**	(12,220,502)
Hotel operating costs	19	**(15,659,528)**	-
Fund management fees	11	**(11,946,602)**	(10,151,360)
Provision for expected credit losses	8	**(8,411,030)**	(9,356,644)
Impairment of investment properties	7	**(7,173,670)**	(935,556)
Other administrative expenses	20	**(6,852,881)**	(2,298,897)
Finance structure fees	11	**(2,290,895)**	-
Dealing fees	11	**(2,131,065)**	-
Custodial fees		**(307,080)**	(245,483)
Total expenses		**(95,012,684)**	(44,569,476)
Net profit for the year before Zakat		**1,002,279**	31,954,428
Zakat	14	**(1,108,321)**	(1,425,499)
Net (loss) / profit for the year		**(106,042)**	30,528,929
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss			
Derivative contracts profit	17	**306,713**	-
Total other comprehensive profit for the year		**306,713**	-
Total comprehensive income for the year		**200,671**	30,528,929

Mohamed Abdullatif Nawas Operations Manager	Omar bin Abdulkarim Alothaim CEO-Fund Manager	Sultan Mohammed Alhudaithi Chairman of the Fund board

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**For the year ended 31 December 2022 SAR**	For the year ended 31 December 2021 SAR Unconsolidated
Net assets value, at the beginning of the year		**638,850,619**	641,694,929
Net (loss) / profit for the year		**(106,042)**	30,528,929
Derivative contracts profit	17	**306,713**	-
Total comprehensive income for the year		**200,671**	30,528,929
Dividends during the year	23	**(38,821,932)**	(33,373,239)
Net assets value, at end of the year		**600,229,358**	638,850,619

Unit transactions

Below is a summary of unit transactions for the year:

	For the year ended 31 December 2022 Units	For the year ended 31 December 2021 Units
Units at the beginning of the year	**68,108,652**	68,108,652
Issued units during the year	**-**	-
Units at end of the year	**68,108,652**	68,108,652

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 (30) form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	For the year ended 31 December 2022 SAR	For the year ended 31 December 2021 SAR Unconsolidated
Cash flows from operating activities			
Net profit for the year before Zakat		**1,002,279**	31,954,428
Adjustments to reconcile net profit for the year before zakat:			
Depreciation of investment properties	7	**17,973,629**	12,220,502
Finance charges	18	**22,042,855**	9,361,034
Provision for expected credit losses	8	**8,411,030**	9,356,644
Write off of Rent Receivable	8	**(7,982,065)**	-
Impairment of investment properties		**7,173,670**	935,559
Zakat of previous years		**-**	698,360
Murabaha deposits revenue		**-**	(5,376)
Change in operating assets and liabilities		**48,621,398**	64,521,151
Inventory		**(239,711)**	-
Rent receivable		**(1,679,541)**	(11,157,048)
Accrued revenue		**(2,295,605)**	(2,404,168)
Prepaid expenses and other debit balances		**(4,123,581)**	82,569
Unearned lease revenue		**(2,091,342)**	1,371,979
Due to a related party		**4,702,620**	(90,042)
Accounts payable		**880,601**	-
Accrued expenses and other credit balances		**6,436,074**	(1,314,347)
Provision for end of service benefits for hotel employees		**188,150**	-
Provision for the renovation of hotel assets		**415,656**	-
Cash flows from operating activities		**50,814,719**	51,010,094
Zakat paid	14	**(2,210,475)**	-
Finance charges paid		**(13,223,205)**	(11,161,283)
Net cash generated from operating activities		**35,381,039**	39,848,811
Cash flows from investing activities			
Paid purchase/development of investment properties		**(227,461,547)**	(733,329)
Murabaha deposits revenue		**-**	5,376
Net cash used in investing activities		**(227,461,547)**	(727,953)
Cash flows from financing activities			
Withdraw from long-term financing	9	**234,790,079**	83,000,000
Repayment of long-term loan		**-**	(342,600,005)
Dividends	23	**(38,821,932)**	(33,373,239)
Change in deferred financing costs		**(598,316)**	(166,000)
Net cash generated from/ (used in) financing activities		**195,369,831**	(293,139,244)
Net change in cash and cash equivalent		**3,289,323**	(254,018,386)
Cash and cash equivalent at the beginning of the year		**16,835,710**	270,854,096
Cash and cash equivalent at end of the year		**20,125,033**	16,835,710
Non-cash transactions			
Derivative contracts profit	17	**306,713**	-
Payable purchase investment properties	13	**121,893,507**	-

Mohamed Abdullatif Nawas	Omar bin Abdulkarim Alothaim	Sultan Mohammed Alhudaithi
Operations Manager	CEO-Fund Manager	Chairman of the Fund board

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

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 books and records of the Fund shall be maintained in Saudi Riyals.

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.

These consolidated financial statements include the information of MULKIA GULF REAL ESTATE REIT FUND and its following subsidiaries (The Group) as of 31 December 2022.

Name of subsidiary	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Aljada Hotel Company	Management hotel	KSA	100%

During the month of February 2022, the Fund acquired Aljada Hotel Company (a limited liability company registered in the city of Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010595498 (dated 01/17/1441 H corresponding to 09/16/2019). The main activity of the company is represented in Activities and services of providing accommodation and restaurants for short-term living.

Accordingly, the comparison figures presented in the consolidated financial statements for the year ending on December 31, 2021 do not include the acquired company.

2- REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulation (the "Regulation") published by CMA on 12 Rajab 1442H (corresponding to 24 February 2021), detailing requirements for all real estate funds and all traded funds within the Kingdom of Saudi Arabia.

3- BASIS OF PREPARATION

3-1 Statement of compliance

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.

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

3- BASIS OF PREPARATION (CONTINUED)

3-2 The Basis of Measurement, The Functional Currency, And the Presentation Currency

The consolidated financial statements have been prepared on a historical cost convention and on the accrual and going concern basis. The financial statements are presented in Saudi Riyals being the functional and presentation currency for the fund.

3-3 Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and contingencies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Judgments

Going Concern

REIT’s management has assessed REIT’s ability to continue as a going concern and is satisfied that the REIT 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 doubts on REIT’s ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Group. Although the fund is an investment entity, the financial statements have been consolidated with the subsidiaries, as the main purpose of establishing these companies is to provide services related to the investment activities of the REIT. Control is achieved when the Group has rights to the returns, from its involvement in the investee and has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- the contractual arrangements with the other voting rights holders in the investee.
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

3- BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

Subsidiaries (Continued)

Accounting for business combinations involving entities or businesses under joint control

Accounting for business combinations involving entities or businesses under joint control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements by other standard-setters that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretations. Several such entities have issued guidance, and some allow the pooling of interests method in accounting for business combinations involving entities under joint control.

The management has adopted the pooling of interests method to account for the business combinations of entities under joint control. This method involves the following:

- The assets and liabilities of the combined entities are reported at their carrying values (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reported directly in the equity.
- The consolidated statement of profit or loss of the combined entities presents the results of the full year irrespective of when the combination took place.

Non-controlling interest

NCI, if any, are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized profits or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, if necessary, to ensure consistency with the policies adopted by the Group.

Estimates

Valuation of investment property

Impairment occurs 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 flows 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 reviewed. The recoverable amount is sensitive to the discount rate used for the discounted cash flows model as well as the discounted future cash inflows and the growth rate used for cash flows extrapolation purposes.

3- BASIS OF PREPARATION (CONTINUED)

3-3 Significant accounting judgments, estimates and assumptions (Continued)

Determining the lease term for contracts with the option of renewal and termination - The company as a lessee

The Fund determines the term of the lease contract as the non-cancellable term in relation to the contract, with any periods that include the option to extend the contract if the Fund is certain to exercise the option to extend, or any periods that include the option to terminate the lease if the Fund is certain that it will not exercise the option to terminate the contract reasonably. Generally, the Fund has several lease contracts that include extension and termination options. The Fund applies judgment in assessing whether or not it has reasonable certainty that it will exercise the renewal or termination option. Therefore, it considers all relevant factors that create an economic incentive to exercise either the renewal or termination option. After the commencement date, the Fund shall reassess the lease term and whether there is a material event or change in circumstances within its control that affects its ability to exercise (or not exercise) the renewal or termination option.

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 higher 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 asset-specific risks. 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 flows calculations.

Residual and useful lives of investment property

The REIT's management determines the estimated useful lives of 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 salvage value and useful lives annually and annual depreciation charge would be adjusted where the management believes the useful lives differed from previous estimates.

Expected credit losses

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 behavior.

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.

The significant accounting policies used in the preparation of these consolidated financial statements are set out as follows, these policies have been consistently applied to all years, unless otherwise stated.

Asset renewal provision

The provision is formed according to hotel management standards, whereby a percentage of the hotel's total revenue is reserved as follows:

1% until the end of the second full year
2% from the third to the fourth full year
3% from the fifth year until the sixth full year
4% from the seventh to the ninth full year
5% from the full tenth year onwards

4- NEW STANDARDS, AMENDMENTS, 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 were referenced below.

New amendments to standards issued and applied effective in the year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling a 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'.
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.

4- NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

New standards, amendments and revised IFRS issued but not yet effective

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
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.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalent

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

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.

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:

Statement	Years
Buildings	40 years

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

Financial instruments

Financial Instruments - Initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortized cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SSPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial Instruments - Initial recognition and subsequent measurement (Continued)

(i) Financial assets (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories.

Financial assets measured at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired. The Fund's financial assets at amortized cost includes cash and cash equivalents and receivables.

Financial assets at fair value through profit or loss

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 recognised in the statement of profit or loss. This category includes equity instruments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Fund's statement of financial position) 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.

When the fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognize the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment in the value of financial assets

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

Expected credit losses assessment:

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

- financial assets measured at amortized 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 of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach divide 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:

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial Instruments - Initial recognition and subsequent measurement (Continued)

(i) Financial assets (Continued)

Expected credit losses assessment: (Continued)

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 commitment facilities.

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment of 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 ECL, 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 ECL 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.

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 Group considers default when:

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

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Financial assets (Continued)

Definition of default (Continued)

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

Derivative financial instruments and hedge accounting

The Fund uses derivative financial instruments, such as interest rate swaps, to hedge interest rate risk. These derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Interest rate swaps are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income within the cash flow risk hedge reserve, while any ineffective portion is recognized directly in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Group 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 Group 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.

ii) Financial liabilities

Initial recognition and measurement

The Fund’s financial liabilities include amounts due to related parties, accrued expenses and other liabilities. Financial liabilities are measured at amortized cost.

Subsequent measurement

Financial liabilities at amortized cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

iii) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance cost over the period of the borrowings using the EIR method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Loans are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

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.

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.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Fund measures financial instruments such as equity instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability or,

• In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

• Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 21.

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Fund recognises revenue from contracts with customers based on a five-step model:

Step l. Identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

• The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or

• The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

• The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognised, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised:

- Sale of investment properties

Revenue from the sale of investment properties is recognized when the significant risks and benefits have been transferred under a legal title deed or under a legal declaration binding on the ownership of the buyer, and when there is a possibility of collecting the consideration and the possibility of measuring the amount of revenue reliably.

- Rental income

Rental income arising from operating lease contracts for investment properties is recognized, net after discount, according to the terms of the lease contracts over the lease term using the straight-line method, except if the alternative basis is more representative of the pattern under which the benefits derived from the leased asset are curtailed.

- Hotel operating revenues

Revenue from hotel services consists of revenue from rooms, food and beverages and other related services provided. Revenue is recognized

net of discounts, applicable taxes and municipality fees on an accrual basis when those services are provided in accordance with IFRS.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Provide the service

Revenue from services (food and beverages) is recognized when the hotel satisfies performance obligations. The hotel recognizes revenue when services are rendered.

- Other income

It is confirmed when it is verified.

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.

6- CASH AND CASH EQUIVALENT

	31 December 2022 SAR	31 December 2021 SAR
Bank balances	**20,030,730**	16,835,710
Covenant	**94,303**	-
	20,125,033	16,835,710

7- INVESTMENT PROPERTIES, NET

	Lands SAR	**Buildings SAR**	**Projects under construction SAR**	**Total SAR**
Cost				
As at 1 January 2022	504,179,900	489,273,917	15,572,500	1,009,026,317
Additions during the year	90,450,750	258,619,681	284,623	349,355,054
As at 31 December 2022	**594,630,650**	**747,893,598**	**15,857,123**	**1,358,381,371**
Accumulated depreciation				
As at 1 January 2022	-	**(40,813,476)**	-	**(40,813,476)**
Charged to the year	-	**(17,973,629)**	-	**(17,973,629)**
As at 31 December 2022	-	**(58,787,105)**	-	**(58,787,105)**
Impairment of investment properties				
As at 1 January 2022	**(11,678,769)**	**(3,608,031)**	**(3,839,660)**	**(19,126,460)**
Change during the year	**(2,195,383)**	**(4,883,821)**	**(94,466)**	**(7,173,670)**
As at 31 December 2022	**(13,874,152)**	**(8,491,852)**	**(3,934,126)**	**(26,300,130)**
Net carrying amount				
As at 31 December 2022	**580,756,498**	**680,614,641**	**11,922,997**	**1,273,294,136**

7- INVESTMENT PROPERTIES, NET (CONTINUED)

	Lands SAR	Buildings SAR	Projects under construction SAR	Total SAR
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	**504,179,900**	**489,273,917**	**15,572,500**	**1,009,026,317**
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	-	**40,813,476**	-	**40,813,476**
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	**(11,678,769)**	**(3,608,031)**	**(3,839,660)**	**(19,126,460)**
Net carrying amount				
As at 31 December 2021	**492,501,131**	**444,852,410**	**11,732,840**	**949,086,381**

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 15). 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,
- Aljada Complex: It is a commercial hotel property that includes a hotel operated by (RHG) under the five-star brand Radisson Blu, consisting of 104 rooms, 16 hotel villas, 24 commercial showrooms and 5 offices, with a total built-up area of 33,105.89 square meters.
-

7- INVESTMENT PROPERTIES, NET (CONTINUED)

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 sukuks will be released after the full value of the Al-Rajhi Bank loan has been paid. (Note 9).

8- RENT RECEIVABLE FROM LEASE, NET

	31 December 2022	31 December 2021
	SAR	SAR
Rent receivable	**50,927,464**	49,247,923
Less		
Provision for expected credit losses	**(16,594,356)**	(16,165,391)
	34,333,108	33,082,532

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

	31 December 2022	31 December 2021
	SAR	SAR
Balance at beginning of the year	**16,165,391**	6,808,747
Provided during the year	**8,411,030**	9,356,644
Bad debts during the year	**(7,982,065)**	-
Balance at end of the year	**16,594,356**	16,165,391

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

Year	**The due date has not passed**	**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**
2022	**2,727,909**	**10,002,232**	**4,866,797**	**6,266,982**	**122,108**	**4,742,748**	**22,198,688**	**50,927,464**
2021	2,809,375	11,214,000	5,725,643	526,125	700,000	5,527,034	**22,745,746**	**49,247,923**

9- LONG - TERM LOAN

The Fund obtained a credit facility from Bank Albilad amounting to 300,000,000 Saudi riyals during 2018, in order to finance the activities of the Fund by mortgaging the real estate sukuk 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 600,000,000 Saudi riyals, and the facility was paid in full during the year 2021.

A credit facility was also obtained from Al Rajhi Bank in the amount of 600,000,000 Saudi riyals on December 29, 2021, in order to finance the activities of the Fund and pay the balance of the loan based on the Fund at Bank Albilad, by guaranteeing the mortgage of the real estate sukuk invested in the Fund with a coverage rate of no less than 200% of the total value of the facilities (Note 7), as the user of the facility as at December 31, 2022 amounted to 577,390,074 Saudi riyals (2021: 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 2022	31 December 2021
	SAR	SAR
Balance at beginning of the year	**342,599,995**	602,200,000
Withdrawn during the year	**234,790,079**	83,000,000
Paid during the year	**-**	(342,600,005)
	577,390,074	342,599,995
Less;		
Deferred financing cost	**(1,189,101)**	(590,785)
	576,200,973	342,009,210

10- UNEARNED LEASE REVENUE

Unearned Lease Revenue represents billed amounts on investment properties lease revenue and does not relate to the year ended 31 December 2022 and the balance of unearned lease revenue amounted to 15,541,668 Saudi riyals as at 31 December 2022 (31 December 2021: 17,633,010 Saudi riyals).

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 after deducting expenses, to be 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 15). The Fund pays the following fees as well

- Capital structuring 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 structuring 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.

11- RELATED-PARTY TRANSACTIONS (CONTINUED)

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

Related party	Nature of transaction	**amount of the transaction during the year ended** **31 December 2022 SAR**	31 December 2021 SAR
Mulkia Investment Company	Fund management fees	**11,946,602**	10,151,306
	Acquisition fees	**2,131,065**	-
	Finance structure fees	**2,290,895**	-
	Expenses paid on behalf	**3,586,011**	1,215,321
Board of Directors	Attendance allowance	**30,000**	30,000

B) The following are the balances due to the related party as follows:

Related party	Nature of transaction	**31 December 2022 SAR**	31 December 2021 SAR
Mulkia Investment Company	Management fees	**10,591,126**	5,852,533
	Expenses paid on behalf	**41,660**	77,633
		10,632,786	5,930,166

The unitholders who own more than 5% of the fund's units as on 31 December 2022 are:

Gulf Real Estate Company
Mr. Khalid Abdulaziz Mohammad bin Nafjan

12-ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	31 December 2022 SAR	31 December 2021 SAR
Finance charges due	**11,778,978**	2,959,328
Accrued fees	**598,477**	-
Accrued professional and advisory fees	**1,627,500**	71,067
Accrued Tax	**1,327,726**	-
Accrued Employee Benefits and outside employment	**749,755**	-
Accrued expenses	**2,099,765**	30,000
Others	**226,263**	92,345
	18,408,464	3,152,740

13- ACCOUNTS PAYABLE

	31 December 2022 SAR	31 December 2021 SAR
payables to purchase investment properties	**121,893,507**	-
Trade payables	**880,601**	-
	122,774,108	-

payables to purchase investment properties are in the second phase of acquiring the remaining percentage of Aljada real estate, and it will be done by increasing the fund's capital through in-kind subscription by the property owners at a value of 35,000,000 Saudi riyals and collecting the remaining amount at a value of 86,983507 Saudi riyals through a cash offering to the public or Bank financing available to the Fund (Note 9).

14- 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:

	31 December 2022 SAR	31 December 2021 SAR
Equity	**626,864,979**	**641,694,929**
Non -current liabilities	**584,312,498**	**355,092,799**
Non-current Assets	**1,309,105,922**	**(982,459,620)**
Net profit	**9,071,761**	**42,246,631**

b) Below is the movement in Zakat provision:

	31 December 2022 SAR	31 December 2021 SAR
Balance at the beginning of the year	**2,143,693**	**-**
Provided during the year	**1,108,321**	1,425,499
Zakat for previous years	**-**	698,360
Paid during the year	**(2,210,475)**	-
Balance at the end of the year	**1,041,539**	2,123,859

c) Zakat Position

Zakat return are submitted on date, and Zakat returns for the years from 2019 to 2021 was submitted.
There is no zakat Inspection during the year.

15- 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: Valie & Partner Real Estate Appraisal and Evaluation Company (an independent valuer approved by the Saudi Authority for Accredited Valuers) License holder No. 1210001114 and Estnad Real Estate Valuation office (an independent valuer approved by the Saudi Authority for Accredited Valuers) License holder No. 1210000037.

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

The evaluation of the appraisers of the investment properties was as follows:

	VALIE Company SAR	ESTNAD Office SAR	Average SAR
Fair value of investment properties as at 31 December 2022	**1,326,218,316**	**1,328,720,000**	**1,327,469,158**
Fair value of investment properties as at 31 December 2021	989,000,000	981,059,472	985,029,736

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

	31 December 2022 SAR	31 December 2021 SAR
Fair value of investment properties	**1,327,469,158**	985,029,736
The net carrying amount of investment properties (Note 7)	**(1,273,294,136)**	(949,086,381)
Unrealized gains determined based on real estate valuation	**54,175,022**	35,943,355
Issued units	**68,108,652**	68,108,652
Unit share in unrealized gains based on real estate valuation	**0.795**	0.528

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

	31 December 2022 SAR	31 December 2021 SAR
Net assets value at cost presented in these financial statements	**600,229,358**	638,850,619
Unrealized gains determined based on real estate valuation (Note 15-1)	**54,175,022**	35,943,355
Net assets value at fair value	**654,404,380**	674,793,974

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

	31 December 2022 SAR	31 December 2021 SAR
Net assets value per unit at cost presented in these financial statements	**8.813**	9.380
Impact on net assets value per unit as a result of unrealized gains determined based on real estate valuation (Note 15-1)	**0.795**	0.528
Net assets value per unit at fair value	**9.608**	9.908

16- Rental and operating Revenue

	2022 SAR	2021 SAR
Rental income from investment properties	**70,072,132**	76,518,528
Revenue from hotel operation	**25,775,910**	-
	95,848,042	76,518,528
Revenue is recognized:		
At a certain point	**25,775,910**	-
On an appropriate time basis	**70,072,132**	76,518,528
	95,848,042	76,518,528

17- PROFIT FROM DERIVIATE CONTRACTS

During the year 2022, the company concluded a hedging contract for credit facilities with Al-Rajhi Bank, fixing the interest rate to 3.71%, which led to achieving a profit from the hedging contract in the amount of 306,713 Saudi Riyals.

18- FINANCE CHARGES

	2022 **SAR**	2021 SAR
Interest on long-term bank financing	**22,042,855**	9,180,487
Amortization of deferred financing expenses	**223,449**	180,547
	22,266,304	9,361,034

19- OPERATING COST FOR THE HOTEL

	2022 **SAR**	2021 SAR
Salaries and other equivalents	**3,149,499**	-
Allowances and incentives	**868,098**	-
Commissions	**2,434,301**	-
Food and beverage costs	**2,439,179**	-
Electricity and water	**859,268**	-
Tasks and consumables	**925,154**	-
Cleaning costs	**194,151**	-
Operating leases	**360,619**	-
Maintenance contract costs	**1,160,512**	-
End of service expense	**123,605**	-
Medical insurance	**124,829**	-
Temporary employment	**1,488,247**	-
Governmental expenses	**522,323**	-
Chemicals	**142,722**	-
Others	**867,021**	-
	15,659,528	**-**

20- OTHER ADMINISTRATIVE EXPENSES

	2022 **SAR**	2021 SAR
Securities Depository Center Fees (Edaa)	**401,000**	408,000
Professional fees	**2,366,228**	194,875
Investment properties valuation expenses	**169,000**	166,500
Insurance expenses	**133,256**	201,739
Tadawul fees	**199,749**	191,246
Zakat for previous years*	**-**	698,360
Provision for the renovation of hotel assets	**292,247**	-
Marketing expenses	**732,762**	-
Other	**2,558,639**	438,177
	6,852,881	2,298,897

*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.

21- 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.

21- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The table below presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value if the carrying amount reasonably approximates fair value.

	Assets / liabilities measured at FVPL				Assets / liabilities not measured at FVPL		Book Value
31 December 2022	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Current value**	**Amortized cost**	
financial assets							
Cash and cash equivalent	-	-	-	-	-	20,125,033	20,125,033
Investment properties, net	1,273,294,136	-	-	1,273,294,136	-	-	1,273,294,136
Rent receivable, net	-	-	-	-	-	34,333,108	34,333,108
Accrued revenue	-	-	-	-	-	12,166,001	12,166,001
Assets of derivative contracts	306,713	-	306,713	-	-	-	306,713
Prepaid expenses and other debit balances	-	-	-	-	-	4,968,000	4,968,000
Total	**1,273,600,849**	**-**	**306,713**	**1,273,294,136**	**-**	**71,592,142**	**1,345,192,991**
financial liabilities							
Long term bank financing	-	-	-	-	576,200,973	-	576,200,973
Unearned rental income	-	-	-	-	-	15,541,668	15,541,668
Due to related parties	-	-	-	-	-	10,632,786	10,632,786
Accounts payable	-	-	-	-	-	122,774,108	122,774,108
Accrued expenses and other credit balances	-	-	-	-	-	18,408,464	18,408,464
Total	**-**	**-**	**-**	**-**	**576,200,973**	**167,357,026**	**743,557,999**

The valuation of investment properties using discounted cash flow method and income capitalization method was performed based on significant unobservable inputs and is therefore included under Level 3 of the fair value hierarchy. The main inputs include:

Discount rates that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 8.5% -9.45%)

Capitalization rates based on the physical location, size and quality of the properties and taking into account market data at the date of the valuation (the rate used by valuers is 8.5%)

Future rental cash flows based on the actual location, type and quality of the properties and supported by the terms of any existing lease or other contracts or external evidence such as current market rents for similar properties.

Estimated vacancy rates based on current and projected future market conditions after the expiration of the term of any existing lease.

Maintenance costs, including the investments required to maintain the functional performance of the property over its estimated useful life.

Terminal value given assumptions about maintenance costs, vacancy rates and market rents.

There were no changes in the evaluation methods during the year.

21- FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Assets / liabilities measured at FVPL				Assets / liabilities not measured at FVPL		Book Value
31 December 2021	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Current value**	**Amortized cost**	
Financial assets							
Cash and cash equivalents	-	-	-	-	-	16,835,710	16,835,710
Investment property, net	949,086,381	-	-	949,086,381	-		949,086,381
Rent receivable, net	-	-	-	-	-	33,082,532	33,082,532
Accrued revenue	-	-	-	-	-	9,850,562	9,850,562
Prepaid expenses and other debit balances	-	-	-	-	-	844,419	844,419
Total	949,086,381	-	-	949,086,381	-	60,613,223	1,009,699,604
Financial liabilities							
Long term bank financing	-	-	-	-	342,009,210	-	342,599,995
Unearned rental income	-	-	-	-	-	17,633,010	17,633,010
due to related parties	-	-	-	-	-	5,930,166	5,930,166
Accrued expenses and other credit balances	-	-	-	-	-	3,152,740	3,152,740
Total	-	-	-	-	342,009,210	26,715,916	369,315,911

22-FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Fund’s financial performance.

The financial instruments included in these consolidated financial statements primarily include cash and cash equivalents, rental income receivable, management fees payable, expenses payable and borrowings. The specific methods of proof used are disclosed in the individual policy statements associated with each item.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to the risk of losses
related to credit, which may occur as a result of the inability or unwillingness of the counterparty or issuer to fulfill its obligations. The fund is exposed to risks
Credit on his bank balances and receivables.
An allowance for credit losses is maintained which is sufficient at management's discretion to cover potential losses on overdue receivables. In the history of
In each financial report, the bank balances are evaluated as to whether they have low credit risks as they are kept with reputable and reputable financial institutions.
A high local bank credit rating, and there is no default history for any of the bank balances. Therefore, the probability of default is based on future factors
Any losses resulting from failure are negligible. As at the reporting date, there are no past due payment dates.

Other receivables are unsecured, without interest and do not have fixed payments. There are no receivable balances

Of the related parties at the date of the report exceeded their deadline, taking into account the historical experience of failure and the future of the industries in which the relevant authorities operate. The management considers that the related party balances are not impaired.

When calculating the expected credit loss allowance for receivables, an allowance matrix is used based on historical loss rates over the expected life of the receivable adjusted for forward-looking estimates.

The Fund's maximum undiscounted exposure to credit risk for the respective components of the statement of financial position and expected credit loss is as follows:

	31 December 2022 SAR	31 December 2021 SAR
Cash and cash equivalents	**20,125,033**	16,835,710
Rent receivable	**50,927,464**	49,247,923
Accrued Revenue	**12,166,001**	9,850,562

The following table provides information about exposure to credit risk and expected credit losses for Rent receivables as of:

31 December 2022	**Weighted average loss rate (%)**	**Exposure to default risk (SR)**	**allowance for impairment (SR)**
The due date has not passed	**0.00٪**	**2,727,909**	**-**
From 1 to 60 days	**0.24٪**	**10,002,232**	**23,533**
From 61 to 90 days	**0.51٪**	**4,866,797**	**24,931**
From 91 to 120 days	**7.23٪**	**6,266,982**	**453,030**
From 121 to 180 days	**18.85٪**	**122,108**	**23,021**
From 181 to 270 days	**39.35٪**	**4,742,748**	**1,866,352**
From 270 to 365 days	**63.98٪**	**22,198,688**	**14,203,489**
total	**130.16٪**	**50,927,464**	**16,594,356**

22-FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)
Credit risk (CONTINUED)

31 December 2021	Weighted average loss (%) rate	Exposure to default risk (SR)	allowance for impairment (SR)
The due date has not passed	0.00٪	2,809,375	-
From 1 to 60 days	0.24٪	11,214,000	26,384
From 61 to 90 days	0.51٪	5,725,643	29,330
From 91 to 120 days	7.23٪	526,125	38,033
From 121 to 180 days	18.85٪	700,000	131,974
From 181 to 270 days	39.35٪	5,527,034	2,175,035
From 270 to 365 days	63.98٪	22,745,746	13,764,635
	130.16٪	49,247,923	16,165,391

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.

Below are the maturities of assets and liabilities as of 31 December 2022:

31 December 2022	**less than one year SAR**	**More than one year SAR**	**Total SAR**
Liabilities			
Long-term loan	**-**	**576,200,973**	**576,200,973**
Unearned Lease Revenue	**15,541,668**	**-**	**15,541,668**
Due to a related party	**10,632,786**	**-**	**10,632,786**
Accounts payable	**122,774,108**	**-**	**122,774,108**
Accrued expenses and other credit balances	**18,408,464**	**-**	**18,408,464**
Provision for end of service benefits for hotel employees	**-**	**188,150**	**188,150**
Provision for the renovation of hotel assets	**415,656**	**-**	**415,656**
Zakat provision	**1,041,539**	**-**	**1,041,539**
Total	**168,814,221**	**576,389,123**	**745,203,344**

22-FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risks (Continued)

31 December 2021	less than one year SAR	More than one year SAR	Total SAR
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

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.

Commission rate risk

Commission rate risk is exposure to various risks associated with the impact of fluctuations in prevailing commission rates on the Fund's financial positions and cash flows.

The Fund's commission rate risk arises mainly from its borrowings, which are at variable interest rates and are not subject to re-pricing on a regular basis.

The Fund's interest rate risk arises mainly from its borrowings, which are at variable commission rates and the sensitivity analysis is as follows:

	2022			
	Income Statement		**Statement of Owners´ Equity**	
	+ 100 points	**- 100 points**	**+ 100 points**	**- 100 points**
Cost of financing facilities	**5,762,010**	**(5,762,010)**	**5,762,010**	**(5,762,010)**
Cash-flow sensitivity	**5,762,010**	**(5,762,010)**	**5,762,010**	**(5,762,010)**

	2021			
	Income Statement		Statement of Owners´ Equity	
	+ 100 points	- 100 points	+ 100 points	- 100 points
Cost of financing facilities	3,420,092	(3,420,092)	3,420,092	(3,420,092)
Cash-flow sensitivity	3,420,092	(3,420,092)	3,420,092	(3,420,092)

Fair value and cash flow interest rate risk

The risks of fair value and cash flows at the interest rate are exposures to various risks related to the impact of fluctuations in market interest rates on the financial position and cash flows of the Fund. A “hedging agreement” has been implemented with Al Rajhi Bank, in order to fix the profit margin of credit facilities amounting to 100 million Saudi riyals at a fixed rate of 3.71%, in order to protect the fund from profit margin fluctuations during the maturity period of these facilities, which begins on August 7, 2022 AD, and ends on January 9, 2028 AD.

Market risk

Market risk is the risk of changes in market prices such as foreign exchange rates, profit rates and share prices that will affect the fund's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return.

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23- DIVIDENDS

During the year ending on December 31, 2022, the fund manager decided to distribute dividends amounting to a total of SAR 38,821,932 (2021 amount of SAR 33,373,239).

24- COMMITMENTS AND CONTINGENCIES

The fund manager believes that there are no potential commitments as of the reporting date.

25- LAST VALUATION DAY

The last valuation day of the year was 31 December 2022 (For the year ended at 31 December 2021 is 31 December 2021).

26- GENERAL

The figures included in the accompanying consolidated financial statements have been rounded to the nearest Saudi Riyal.

27- SEGMENT INFORMATION

The Fund's principal business is conducted in the Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The following are the fund's total assets and liabilities as of December 31, 2022 and 2021, its total operating income and expenses, and the results for the years ending on that date, by operating sector:

Comprehensive Income		**2022**	
	Rent	**Hotel**	**Total**
Revenues			
Rental and operating Revenue	70,072,132	25,775,910	95,848,042
Other income	-	166,921	166,921
Total revenues	**70,072,132**	**25,942,831**	**96,014,963**
Expenses			
Fund management fees	(11,946,602)	-	(11,946,602)
Hotel operating costs	-	(15,659,528)	(15,659,528)
Custody fees	(307,080)	-	(307,080)
Provision for expected credit losses	(8,344,466)	(66,564)	(8,411,030)
Depreciation of Properties investments	(17,973,629)	-	(17,973,629)
Financing burdens	(22,266,304)	-	(22,266,304)
Dealing fees	(2,131,065)	-	(2,131,065)
Financing structuring fees	(2,290,895)	-	(2,290,895)
Other administrative expenses	(4,510,224)	(2,342,657)	(6,852,881)
Total expenses	**(69,770,265)**	**(18,068,749)**	**(87,839,014)**
Net operating income	**301,867**	**7,874,082**	**8,175,949**
Decrease in the value of Properties investments	(7,173,670)	-	(7,173,670)
Net profit for the year before zakat	**(6,871,803)**	**7,874,082**	**1,002,279**
Zakat expense	(833,338)	(274,983)	(1,108,321)
Net profit for the year	**(7,705,141)**	**7,599,099**	**(106,042)**
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss			
Derivatives profit	**306,713**	-	**306,713**
Other comprehensive income for the year	**306,713**	-	**306,713**
Total comprehensive income for the year	**(7,398,428)**	**7,599,099**	**200,671**

27- SEGMENT INFORMATION (CONTINUED)

Comprehensive Income	2021		
	Rent	Hotel	Total
Revenues			
Rental and operating Revenue	76,518,528	-	76,518,528
Other income	5,376	-	5,376
Total revenues	76,523,904	-	76,523,904
Expenses			
Fund management fees	(10,151,360)	-	(10,151,360)
Hotel operating costs	-	-	-
Custody fees	(245,483)	-	(245,483)
Provision for expected credit losses	(9,356,644)	-	(9,356,644)
Depreciation of Properties investments	(12,220,502)	-	(12,220,502)
Financing burdens	(9,361,034)	-	(9,361,034)
Dealing fees	-	-	-
Financing structuring fees	-	-	-
Other administrative expenses	(2,298,897)	-	(2,298,897)
Total expenses	(43,633,920)	-	(43,633,920)
Net operating income	32,889,984	-	32,889,984
Decrease in the value of Properties investments	(935,556)	-	(935,556)
Net profit for the year before zakat	31,954,428	-	31,954,428
Zakat expense	(1,425,499)	-	(1,425,499)
Net profit for the year	30,528,929	-	30,528,929
Other comprehensive income			
Items that are not subsequently reclassified to profit or loss			
Derivatives profit	-	-	-
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	30,528,929	-	30,528,929

27- SEGMENT INFORMATION (CONTINUED)

Financial position		**2022**	
	Rent	**Hotels**	**Total**
	SAR	**SAR**	**SAR**
ASSETS			
Cash and cash equivalents	**10,997,376**	**9,127,657**	**20,125,033**
Inventory	**-**	**239,711**	**239,711**
Properties investments, net	**1,273,294,136**	**-**	**1,273,294,136**
Rent receivable, net	**32,341,976**	**1,991,132**	**34,333,108**
Accrued revenues	**12,166,001**	**-**	**12,166,001**
Assets of derivative contracts	**306,713**	**-**	**306,713**
Prepayments and other debit balances	**825,101**	**4,142,899**	**4,968,000**
TOTAL ASSETS	**1,329,931,303**	**15,501,399**	**1,345,432,702**
LIABILITIES			
Long term bank financing	**576,200,973**	**-**	**576,200,973**
Unearned rental income	**15,541,668**	**-**	**15,541,668**
Due to related parties	**10,632,786**	**-**	**10,632,786**
Account payable	**121,893,507**	**880,601**	**122,774,108**
Accrued expenses and other credit balances	**14,111,329**	**4,297,135**	**18,408,464**
Provision for end of service benefits for hotel employees	**-**	**188,150**	**188,150**
Provision for the renovation of hotel assets	**-**	**415,656**	**415,656**
Zakat allowance	**833,338**	**208,201**	**1,041,539**
TOTAL LIABILITIES	**739,213,601**	**5,989,743**	**745,203,344**
NET ASSETS ATTRIBUTE TO UNITHODLERS	**590,717,702**	**9,511,656**	**600,229,358**

Financial position		2021	
	Rent	**Hotels**	**Total**
ASSETS			
Cash and cash equivalents	16,835,710	-	16,835,710
Properties investments	949,086,381	-	949,086,381
Rent receivable, net	33,082,532	-	33,082,532
Accrued revenues	9,850,562	-	9,850,562
Prepayments and other debit balances	844,419	-	844,419
TOTAL ASSETS	1,009,699,604	-	1,009,699,604
LIABILITIES			
Long term bank financing	342,009,210	-	342,009,210
Unearned rental income	17,633,010	-	17,633,010
Due to related parties	5,930,166	-	5,930,166
Accrued expenses and other credit balances	3,152,740	-	3,152,740
Zakat allowance	2,123,859	-	2,123,859
TOTAL LIABILITIES	370,848,985	-	370,848,985
NET ASSETS ATTRIBUTE TO UNITHODLERS	638,850,619	-	638,850,619

28- IMPORTANT ISSUES DURING THE YEAR

On 30 January 2022, the fund manager announced the signing of an agreement to acquire a new property for the benefit of the fund (Aljada Commercial Hotel Real Estate) located in the Qurtoba district of Riyadh in two phases, the first phase in cash through the financing available to the fund to acquire 63.61% of the real estate and the second phase of The acquisition of the remaining percentage of the property will take place by increasing the fund's capital through in-kind subscription by the property owners at a value of 35,000,000 riyals and collecting the remaining amount through cash offering, after obtaining the necessary approvals according to the statutory requirements, as the total value of the acquisition amounted to 335,000,000 Saudi riyals excluding For the value added tax amount and seek.

Acquisition of subsidiaries

The acquisition was accounted for using the acquisition method under IFRS 3 Business Combinations (the "Standard") with Gulf Real Estate REIT Fund being the acquiring party and Aljada Hotel Company being the acquiring party. As required by the standard, Gulf Real Estate REIT is in the process of allocating purchase consideration for identifiable assets and liabilities up to the date of issuance of the consolidated financial statements. Accordingly, the Gulf Real Estate REIT Fund has calculated the acquisition based on the book values of the acquired assets and liabilities as at the date of acquisition as independent valuations have not been completed. The adjustment to these provisional values will be completed within twelve months of the date of acquisition as permitted by the Standard.

The Fund is in the process of making a comprehensive purchase price allocation process which is expected to be completed within twelve months from the acquisition date.

The assets and liabilities recognized as a result of the acquisition are as follows:

	Book value
Inventory	**257,471**
account receivables	**1,594,213**
due from related parties	**3,879,475**
Other receivable balances	**539,540**
Cash and cash equivalents	**815,741**
Provision for end of service benefits	**(167,738)**
Asset renovation provision	**(157,984)**
Trade payables and other credict balances	**(2,986,932)**
Accrued expenses	**(1,861,230)**
The sum of the identifiable assets and liabilities acquired	**1,912,556**
Goodwill	**-**
Total	**1,912,556**
net cash used generated by the acquisition	
Accrued amounts	**1,912,556**
Cash and cash equivalents	**(815,741)**
Total	**1,096,815**

29- SUBSEQUENT EVENTS

On 18 January 2023, the fund manager announced the distribution of cash dividends to the unit holders of the Gulf Real Estate REIT Fund for the period from 1 September 2022 to 31 December 2022, in the amount of 8,854,125 Saudi riyals.

The fund manager announced the start of participation in increasing the total value of the fund's assets, through an additional offering to investors, starting today, Thursday, 24/8/1444, corresponding to 16 March 2023, until Wednesday, 7/9/1444, corresponding to 29 March, 2023, at a price of (6.68) riyals. Saudi Arabia for the unit with an additional offering amount of 250 million Saudi riyals.

Except for the above, in the opinion of the management, there were no other significant subsequent events after 31 December 2022 and until the date of approval of the consolidated financial statements that could have a material impact on the consolidated financial statements as of 31 December 2022.
30- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
These consolidated financial statements were approved by the Fund Board of Directors on 25 Shaaban1443 (28 March 2022).

30- Approval of the consolidated financial statements

These consolidated financial statements were approved by the Fund Board of Directors on Ramadan 7, 1444 H (March 29, 2023).