AL RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INDEPENDENT AUDITOR'S REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

INDEX

Alluhaid & Alyahya Chartered Accountants
License No. (735) CR:1010468314
Paid up capital SR 100,000
A Limited Liability Company
Kingdom of Saudi Arabia Riyadh King Fahd Road ,
Muhammadiyah District , Garnd Tower 12th Floor

INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI REIT FUND
(Managed by Al Rajhi Capital)

Opinion

We have audited the accompanying financial statements of Al Rajhi REIT Fund (the "Fund") being managed by **Al Rajhi Capital** (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2021, the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the 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 financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI REIT FUND
(Managed by Al Rajhi Capital) (continued)

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
Valuation of investment properties The Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses. For assessing the impairment of investment properties, the Fund management 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 semi-annual basis. As at 31 December 2021, the carrying value of investment properties was SR 1,954 million (2020: SR 2,207 million) which was net of accumulated depreciation of SR 89.4 million (2020: SR 60.8 million) and an accumulated impairment allowance of SR 291.9 million (2020: SR 64.9 million). We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the statement of financial position and in the statement of comprehensive income. *The Fund's accounting policy for investment properties is disclosed in note 5.4, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4.2 and related disclosures about investment properties are included in notes 8 and 9 of the accompanying financial statements.*	We have carried out the following audit procedures, among others: - We obtained the information about professional qualification, competence and expertise of the Fund's independent valuers and noted that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM); - We used our property valuation specialist and performed review of investment properties valuation which included: o A review of the assumptions used by independent valuers in undertaking their valuation and an assessment of methodologies adopted; o A detailed assessment of sample of the individual property valuation examining key valuation inputs and assumption applied. - We agreed the value of all properties held at the year end to the valuation included in the valuation report of independent valuers. - We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and - We ensured that the financial statement contain adequate disclosure related to the investment properties.

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(Managed by Al Rajhi Capital) (continued)

Other Information included in the Fund's 2021 Annual Report

The Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2021 annual report other than the financial statements and our auditor's report thereon. The Fund's 2021 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Fund's 2021 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI REIT FUND
(Managed by Al Rajhi Capital) (continued)

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

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.

- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 communication.

For Alluhaid & Alyahya Chartered Accountants

Turki A. Alluhaid
Certified Public Accountant
Registration No. 438

Riyadh: 27 Sha'ban 1443H
(30 March 2022)

اللحيد واليحيى محاسبون قانونيون
ترخيص رقم ٧٣٥
س.ت: ١٠١٠٤٦٨٣١٤
professional
License No. 735
C.R: 1010468314
Alluhaid & Alyahya Chartered Accountants

STATEMENT OF FINANCIAL POSITION
31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	**125,000**	125,000
Rental income receivable	6	**29,315,180**	39,694,948
Investment held at fair value through profit or loss (FVTPL)	7, 12	**65,885,112**	63,875,997
Advance for investments held at FVTPL	7	**-**	946,241
Contract Assets		**4,251,206**	8,055,180
Prepayment and other assets		**7,260,280**	2,931,676
TOTAL CURRENT ASSETS		**106,836,778**	115,629,042
NON-CURRENT ASSETS			
Investment properties	8, 12	**1,954,663,450**	2,207,965,655
TOTAL ASSETS		**2,061,500,228**	2,323,594,697
LIABILITIES			
CURRENT LIABILITIES			
Contract liability		**13,249,274**	12,766,899
Accrued expenses and other liabilities	10	**7,099,685**	7,979,539
Accrued management fee	11	**4,033,320**	12,613
Borrowings – current portion	11	**-**	145,406,600
TOTAL CURRENT LIABILITIES		**24,382,279**	166,165,651
NON-CURRENT LIABILITIES			
Borrowings – noncurrent portion	11	**791,254,599**	645,847,999
TOTAL LIABILITIES		**815,636,878**	812,013,650
EQUITY			
Net assets attributable to unitholders		**1,245,863,350**	1,511,581,047
TOTAL LIABILITIES AND EQUITY		**2,061,500,228**	2,323,594,697
Units in issue (number)		**161,856,857**	161,856,857
Per unit value (SR)		**7.70**	9.34
Per unit fair value (SR)	9.4	**8.01**	9.75

The accompanying notes 1 to 19 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
31 December 2021

	Note	*For the year ended 31 December 2021 SR*	*For the year ended 31 December 2020 SR*
INCOME			
Rental income from investment properties, net	8.4	**130,283,660**	168,855,514
TOTAL INCOME		**130,283,660**	168,855,514
EXPENSES			
Depreciation on investment properties	8	**(28,595,889)**	(29,213,979)
Management fee	11	**(16,520,103)**	(18,204,172)
Allowance for expected credit losses	6	**(10,100,314)**	(12,804,340)
Other expenses		**(7,147,943)**	(6,266,929)
TOTAL EXPENSES		**(62,364,249)**	(66,489,420)
OPERATING PROFIT		**67,919,411**	102,366,094
Finance cost	11	**(21,029,026)**	(26,524,743)
Other income	8.4	**4,633,200**	301,426
Income from investment held at FVTPL	7	**466,709**	1,209,757
PROFIT FOR THE YEAR BEFORE IMPAIREMENT		**51,990,294**	77,352,534
Impairment on investment properties	8	**(227,068,151)**	(64,900,754)
(LOSS) / PROFIT FOR THE YEAR		**(175,077,857)**	12,451,780
Other comprehensive income		**-**	-
Total comprehensive (loss) income for the year		**(175,077,857)**	12,451,780

STATEMENT OF CHANGES IN EQUITY

31 December 2021

	Note	*For the year ended 31 December 2021 SR*	*For the year ended 31 December 2020 SR*
Net asset value attributable to the redeemable unitholder at the beginning of the year		**1,511,581,047**	1,578,439,127
(Loss) income for the year		**(175,077,857)**	12,451,780
Other comprehensive income for the year		**-**	-
Total comprehensive (loss) income for the year		**(175,077,857)**	12,451,780
CHANGES FROM UNIT TRANSACTION:			-
Distribution during the year	11, 15	**(90,639,840)**	(79,309,860)
Net asset value attributable to the redeemable unitholder at the end of the year		**1,245,863,350**	1,511,581,047

Transactions in units are summarized as follows:

	For the year ended 31 December 2021	*For the year ended 31 December 2020*
UNITS AT THE BEGINNING AND END OF THE YEAR	**161,856,857**	161,856,857

STATEMENT OF CASH FLOWS
31 December 2021

	Note	*For the year ended 31 December 2021 SR*	*For the year ended 31 December 2020 SR*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit for the year		**(175,077,857)**	12,451,780
Adjustment to reconcile net profit to net cash from operating activities:			
Impairment on investment properties	8	**227,068,151**	64,900,754
Depreciation on investment properties	8	**28,595,889**	29,213,979
Allowance for expected credit losses	6	**10,100,314**	12,804,340
Realized gain from investment held at FVTPL	7	**(567,857)**	(838,842)
Unrealised loss/(gain) from investment held at FVTPL	7	**101,148**	(370,915)
		90,219,788	118,161,096
Working capital adjustments:			
Rental income receivable, net		**(14,567,497)**	(60,240,805)
Accrued rental income		**3,803,974**	(8,055,180)
Prepayment and other assets		**(4,328,604)**	36,058,742
Accrued management fee		**4,020,707**	(418,402)
Deferred rental income		**482,375**	3,730,738
Accrued expenses and other liabilities		**(879,854)**	938,149
Net cash flows from operating activities		**78,750,889**	90,174,338
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to investment properties	8	**(2,361,835)**	(232,455)
Purchase of investment held at FVTPL	7	**(106,694,288)**	(239,713,781)
Disposal of investment held at FVTPL	7	**105,151,882**	177,047,541
Advance for investments held at FVTPL	7	**946,241**	39,094,952
Net cash flows used in investing activities		**(2,958,000)**	(23,803,743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distributions	11, 15	**(75,792,889)**	(66,371,658)
Borrowings	11	**-**	1,063
Net cash flows used in financing activities		**(75,792,889)**	(66,370,595)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of year		**125,000**	125,000
Cash and cash equivalents at the end of the year	11	**125,000**	125,000
NON-CASH TRANSACTIONS			
Distribution settled against rent receivable	11, 15	**14,786,517**	12,938,202

The accompanying notes 1 to 19 form an integral part of these financial statements.

1 CORPORATE INFORMATION

Al Rajhi REIT Fund (the "Fund" or "REIT") is a closed-ended shariah compliant real estate investment traded fund established on 3 Rajab 1439H (corresponding to 20 March 2018). The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") issued by the Capital Market Authority ("CMA"). The Fund is listed on Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations on 3 Rajab 1439H (corresponding to 20 March 2018). The initial subscribed units of the Fund were 122,200,609 units at par value of SR 10 per unit resulting in capital of SR 1,222,006,090. However, during the year 2019, as a part of increasing its total assets, the Fund issued 39,656,248 new units of par value SR 10 per unit at an issue price of SAR 8.8 per unit. Thus, currently the total subscribed units of the Fund stand at 161,856,857 units. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of Fund Board and followed by CMA.

The Fund is managed by Al Rajhi Capital (the "Fund Manager"), a Saudi closed joint stock company with commercial registration no.1010241681, and a capital market institution licensed by the CMA under license no. 07068-37 dated 25 June 2007. The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia. The Fund's Manager's registered office is King Fahd Branch Road, Al Muruj District, Riyadh 12214, Kingdom of Saudi Arabia.

The Fund currently has a diversified portfolio of 18 properties (31 December 2020: 18 properties) across various sectors such as retail, education, commercial offices, logistics and healthcare.

All properties of Al Rajhi REIT Fund are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPVs"). The SPVs are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

The Fund has appointed, KASB Capital (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund.

2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") issued by the CMA. The regulations detail the requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

3.2 Basis of measurement
These financial statements have been prepared under the historical cost convention, using accrual basis of accounting and the going concern concept except for financial assets at fair value through profit or loss that have been measured at fair value.

3.3 Functional and presentation currency
These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR.

3.4 Comparative information

The Fund has presented the comparative information for the year ended 31 December 2020.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

4.1 Useful lives of investment properties

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 8.1.

4.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used

4.3 Impairment of financial assets held at amortized cost

The Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in three stages. The expected credit loss rates are based on the payment profile of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within the 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 to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in these factors.

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

Probability of Default (PD): The likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Loss Given Default: It is defined as the percentage risk of exposure that is not expected to be recovered in the event of default. It is usually expressed as a percentage of the EAD. 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.

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.3 Impairment of financial assets held at amortized cost (continued)

As at the year end, the Fund has rents receivable as financial assets carried at amortized cost. The Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 6 and 14.2 in these financial statements.

4.4 Going concern

The Fund's manager has made an assessment of Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the fund manager is not aware of any material uncertainties that may cast significant doubt on Fund's ability to continue as a going concern.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Financial instruments.

5.1.1 Financial Instruments - Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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 amortised 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 SPPI 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 amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows

Subsequent measurement

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

Financial assets measured at amortised cost

Financial assets at amortised 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 derecognised, modified or impaired. The Fund's financial assets at amortised cost includes cash and cash equivalent and receivables.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Financial instruments (continued)

Financial assets measured at amortised cost (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (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 recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises 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.

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 amortised cost.

Subsequent measurement

Financial liabilities at amortised cost
This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised 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.

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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 Financial instruments (continued)

5.1.2 Current versus non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period
- All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current

5.1.3 Cash and cash equivalents

For the purposes of cash flows statement, cash and cash equivalents consist of bank balances.

5.1.4 Borrowings

Borrowings 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.

Borrowings 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.

Borrowings 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.

5.2 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.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Fair value measurement(continued)

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 recognized 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 categorization (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 7.

5.3 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 recognized 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 recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

5.4 Investment properties

Investment properties comprise completed properties that are held to earn rentals or for capital appreciation or both. Investment properties is stated at cost including transaction costs net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met.

The cost less estimated residual value, if any, of investment properties is depreciated on a basis over estimated useful lives of the assets. Land, on the other hand, is reported at cost. The fair value of investment properties is disclosed in note 9 and 12 in these financial statements.

5.5 Accrued expenses and other liabilities

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective commission rate method.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.6 Contract Assets
Income recognized in excess of billing, if any, are included in current assets as accrued rental income and will be settled in the subsequent period when the invoices are issued.

5.7 Contract Liability
Billing in excess of income recognized, if any, are included in current liabilities as deferred rental income and will be recognized as income in the subsequent period when the related rent service is rendered.

5.8 Provision
Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

5.9 Zakat
Zakat is the obligation of the unitholders and is not presented in the financial statements of the Fund.

5.10 Revenue recognition
The Fund recognizes revenue from contracts with customers based on a five-step model:

Step 1. 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. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognizes 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 recognized 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 recognized, 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 recognized.

Rental income
Rental income from operating lease of properties is recognized on a straight-line basis over the term of the operating lease.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.11 Management fee
On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.8 percent per annum of the Fund's total assets value based on the last evaluation net of Fund expenses and is paid on quarterly basis.

5.12 Custodian fee
The Fund pays a custodian a fee annually which is accrued on a daily basis and paid quarterly to the Custodian of the Fund.

5.13 Board of directors' fee
The Board of directors are entitled to receive fees per meeting annually which is accrued on a monthly basis and paid annually to the board of directors of the Fund.

5.14 Distribution
Dividend distribution to the Fund's unitholders is recognized as a liability in the Fund's financial statements in the period in which the dividends are approved.

The Fund has a policy of distributing dividends on semi-annually basis for at least 90% of its net profit , not including profit resulting from the sale of the underlying real estate assets.

5.15 Net assets value
The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

5.16 Transaction fee
The Fund Manager charges the Fund, one-time transaction fee at the rate of 1 percent on the acquisition or disposal price of the real estate assets.

5.17 Finance Cost
All borrowing costs are recognized in profit or loss in the period in which they are incurred.

5.18 Other expenses
Expenses include legal, accounting, auditing and other fees. They are recognized in profit or loss in the period in which they are incurred on an accrual basis.

5.19 New standards, amendments and interpretations issued and effective from 1 January 2021
The accounting policies adopted, and method of computations followed are consistent with those of the previous financial year except for the items disclosed below:

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

These amendments had no impact on the financial statements of the Fund.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.20 New standards, amendments and interpretations effective 1 January 2022 and have not early adopted

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Standards / amendments to standards / interpretations	*Effective date*
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 17	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the conceptual framework (Amendments to IFRS 3)	1 January 2022
Property, plant and equipment, proceeds before intended use (Amendments to IAS 16)	1 January 2022
Onerous contracts – Cost of fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual improvement to IFRS 9, IFRS 16, IFRS 1, and IAS 41	1 January 2022
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendments to IAS 1)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Definition of accounting estimates (IAS 8)	1 January 2023

6 RENTAL INCOME RECEIVABLES

This represents the rent receivable from the investment properties in accordance with the terms of the corresponding tenancy agreements. The rent receivables are current in nature, settled within a short period of time.

	31 December 2021 SR	*31 December 2020 SR*
Rental income receivable	**56,185,146**	56,464,600
Less: Allowance for expected credit loss	**(26,869,966)**	(16,769,652)
	29,315,180	39,694,948

The following is the aging analysis of rent receivable as at reporting date:

	31 December 2021 SR	*31 December 2020 SR*
Less than 30 days	**1,660,942**	4,947,638
Between 31 to 180 days	**4,722,981**	18,988,008
More than 180 days	**49,801,223**	32,528,954
	56,185,146	56,464,600

The following is the movement of allowance for expected credit loss as at:

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**(16,769,652)**	(3,965,312)
Charged made during the year	**(10,100,314)**	(12,804,340)
At the end of the year	**(26,869,966)**	(16,769,652)

7 INVESTMENTS HELD AT FVTPL

31 December 2021	*Fund Manager*	*Number of units*	*Cost*	*Market Value*
Al Rajhi Commodity Fund SAR	Rajhi Capital	**404,158**	**65,615,301**	**65,885,112**

31 December 2020	*Fund Manager*	*Number of units*	*Cost*	*Market Value*
Al Rajhi Commodity Fund SAR	Rajhi Capital	395,516	63,505,081	63,875,997

The following is the movement in investment held at FVTPL:

	For the year ended 31 December 2021 SR	*For the year ended 31 December 2020 SR*
At the beginning of the year	**63,875,997**	-
Purchased during the year	**106,694,288**	239,713,781
Disposal during the year	**(105,151,882)**	(177,047,541)
Realized gain on investment held at FVTPL	**567,857**	838,842
Movement on investment held at FVTPL	**(101,148)**	370,915
At the end of the year	**65,885,112**	63,875,997

As at 31 December 2020, SR 946,241 was paid for subscription of units in Al Rajhi Commodity Fund-SAR. These units were subsequently issued on 3 January 2021 and accordingly had been accounted for as advance for investment held at FVTPL.

All investments measured at fair value through profit or loss are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPV's"). The SPV's are holding these investments for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the investments.

8 INVESTMENT PROPERTIES

The composition of the investment properties as of the reporting date is summarized below:

As at 31 December 2021

	Land SR	*Building* SR	*Total* SR
Cost:			
At the beginning of the year	**1,308,700,218**	**1,025,062,677**	**2,333,762,895**
Additions during the year	-	**2,361,835**	**2,361,835**
At the end of the year	**1,308,700,218**	**1,027,424,512**	**2,336,124,730**
Accumulated Depreciation:			
At the beginning of the year	-	**(60,896,486)**	**(60,896,486)**
Charge for the year	-	**(28,595,889)**	**(28,595,889)**
At the end of the year	-	**(89,492,375)**	**(89,492,375)**
Impairment:			
Impairment on investment properties (note 8.3)	**(197,166,644)**	**(94,802,261)**	**(291,968,905)**
Book Value as of 31 December 2021	**1,111,533,574**	**843,129,876**	**1,954,663,450**

As at 31 December 2020

	***Land* SR**	***Building* SR**	***Total* SR**
Cost:			
At the beginning of the year	1,308,700,218	1,024,830,222	**2,333,530,440**
Additions during the year	-	232,455	**232,455**
At the end of the year	1,308,700,218	1,025,062,677	**2,333,762,895**
Accumulated Depreciation:			
At the beginning of the year	-	(31,682,507)	**(31,682,507)**
Charge for the year	-	(29,213,979)	**(29,213,979)**
At the end of the year	-	(60,896,486)	**(60,896,486)**
Impairment:			
Impairment on investment properties (note 8.3)	(51,637,184)	(13,263,570)	**(64,900,754)**
Book Value as of 31 December 2020	**1,257,063,034**	**950,902,621**	**2,207,965,655**

8 INVESTMENT PROPERTIES (continued)

8.1 - The Fund has the policy of charging depreciation on building over 33 years. The depreciation is charged on depreciable amount i.e. cost less residual value.

8.2 - All properties of Al Rajhi REIT Fund are held in the name of, Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPV's"). The SPVs are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

8.3 - The investment properties were tested for impairment and the Fund manager noted that certain properties carrying amount are more than its recoverable amount. Based on the average fair value as at the reporting date determined by the independent evaluators. Accordingly, the Fund manager made provision of impairment of SR 227,068,151 for the year ended 31 December 2021 (31 December 2020: SR 64,900,754) to adjust the value of investment properties to their recoverable amount. The key assumptions taken for valuation as at 31 December for these investment properties are disclosed in note 12.

8.4 – The net rental income from investment properties amounted to SR 130,283,660 during the year ended December 31, 2021 (December 31, 2020: SR 168,855,514). The Fund had signed settlement agreement to terminate lease agreement for certain properties and has claimed an early termination penalty amounted SR 4,633,200 which has been recorded as other income. Moreover, during year ended 31 December 2021, the Fund has provided a reduction in annual rent and a rent concession to certain tenants.

The investment properties represent eighteen properties. Listed below are the details of these investment properties:

Properties	**Location**	**Type of agreement**
Jarir Al Ahsa	Riyadh	Multi-tenanted - retail sector
Faris International School	Riyadh	Triple net lease - education sector
Mutlaq Lulu	Riyadh	Triple net lease - retail sector
Anwar Plaza	Riyadh	Triple net lease - retail sector "Contract terminated on 9 August 2021"
Narjes Plaza	Riyadh	Triple net lease - retail sector
Rama Plaza	Riyadh	Triple net lease - retail sector "Contract terminated on 13 February 2021"
Panda Marwah Jeddah	Jeddah	Triple net lease - retail sector
Panda Madain Fahad Jeddah	Jeddah	Triple net lease - retail sector
Panda Rawda Jeddah	Jeddah	Triple net lease - retail sector
Panda Khamis Mushait	Khamis Mushait	Triple net lease- retail sector
Al Andalus	Jeddah	Multi-tenanted - commercial sector
Lulu Central Logistics Warehouse	Riyadh	Triple net lease - logistics sector
Al Salam Hospitals	Riyadh	Triple net lease - healthcare sector
Rowad Al Khaleej International School	Riyadh	Triple net lease - education sector
Rowad Al Khaleej International School	Dammam	Triple net lease- education sector
Blue Tower	Al Khobar	Triple net lease - commercial sector
Luluah Warehouse	Riyadh	Triple net lease - logistics sector
Baream Rowad Al Khaleej Kindergarten	Riyadh	Triple net lease - education sector

9 EFFECTS ON NET ASSET VALUE IF INVESTMENT IN REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with accounting policy of the Fund, investment properties are carried at cost less accumulated depreciation and impairment if any in these financial statements.

The fair value of the investment properties is determined by two selected appraisers for each of the 18 properties. The appraisers that evaluated these properties are Century 21 Valuation Company and Jones Lang LaSalle for Real Estate Valuation Company (2020: Olaat Valuation Company, ValuStrat Consulting Company and White Cubes Real Estate Company). They are accredited independent valuers with a recognized and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council ("IVSC") and applied by Saudi Authority for Accredited Valuers ("TAQEEM"). These models comprise both the income capitalization approach and value in use ("VIU").

9.1 As at 31 December 2021, the valuation of the investment properties are as follows:

31 December 2021	***Appraiser 1 SR***	***Appraiser 2 SR***	***Average SR***
Investment properties	**1,880,400,000**	**2,131,615,540**	**2,006,007,770**

31 December 2020	*Appraiser 1 SR*	*Appraiser 2 SR*	*Average SR*
Investment properties	2,340,311,000	2,207,470,000	2,273,890,500

The Fund Manager has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration number of factors, including the area, type of property and valuation techniques using significant unobservable inputs, including the financial and fragmentation plot analysis, the income method, and value in use method. The fair value and cost analysis of the investment properties is presented in note 9.2. The inputs used in the above level 3 fair valuation are disclosed in note 12.

9.2 The unrealized gain on investment properties based on fair value evaluation is set out below:

	31 December 2021 SR	*31 December 2020 SR*
Fair value of investment in real properties (note 9.1)	**2,006,007,770**	2,273,890,500
Less: Carrying value of investments in real estate properties (note 8)	**(1,954,663,450)**	(2,207,965,655)
Net impact based on fair value evaluation	**51,344,320**	65,924,845
Units in issue (numbers)	**161,856,857**	161,856,857
Impact per unit share based on fair value evaluation (SR)	**0.31**	0.41

9 EFFECTS ON NET ASSET VALUE IF INVESTMENT IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

9.3 The net asset value using the fair values of the real estate properties is set out below:

	31 December 2021 SR	*31 December 2020 SR*
Net assets value at cost, as presented in these financial statements	**1,245,863,350**	1,511,581,047
Net impact based on real estate evaluations (note 9.2)	**51,344,321**	65,924,845
Net assets based on fair value	**1,297,207,671**	1,577,505,892

9.4 The net asset value per unit, using the fair values of the real estate properties is set out below:

	31 December 2021 SR	*31 December 2020 SR*
Net assets value at cost, as presented in these financial statements	**7.70**	9.34
Impact on net asset value per unit on account of unrealized loss based on evaluations (note 9.2)	**0.31**	0.41
Net assets based on fair value	**8.01**	9.75

10 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2021 SR	*31 December 2020 SR*
Accounts payables and accrued expense	**3,295,153**	868,302
Special commission payable	**2,438,789**	2,713,653
Accrued property expenses	**699,288**	894,598
VAT payable	**666,455**	3,502,986
	7,099,685	7,979,539

11 RELATED PARTY TRANSACTIONS AND BALANCE

Related parties of the Fund include the Fund Manager, Al Rajhi Bank (being the shareholder of Al Rajhi Capital), the Fund, which is managed by the Fund Board of Director, KASB Capital (being the custodian of the Fund), Al Khaleej Training and Education Company (being the major unitholder of the Fund) and any party that has the ability to control other party or exercise significant influence over the other party in making financial or operational decisions.

In the ordinary course of its activities, the Fund transacts business with related parties. The related party transactions are governed by limits set by the terms and conditions. All related party transactions are disclosed to the Fund Board of Director.

As at 31 December 2021, Al Rajhi Capital (the "Fund Manager") held 15,320,447 units (31 December 2020: 15,320,447 units) and Al Khaleej Training and Education Company (a related party) held 26,404,494 (31 December 2020: 26,404,494).

11 RELATED PARTY TRANSACTIONS AND BALANCE (continued)

The significant related party transactions entered into by the Fund during the year and the balances resulting from such transactions are as follows:

		Amount of transaction For the year ended 31 December		*Balance receivables/ (payables) As at 31 December*	
Related Party	***Nature of* transaction**	***2021 SR***	*2020 SR*	***2021 SR***	*2020 SR*
Al Rajhi Capital	Management fee	**16,520,103**	18,204,172	**(4,033,320)**	(12,613)
Al Rajhi Bank	Finance cost *	**21,029,026**	26,524,743	**(2,438,789)**	(2,713,653)
	Bank balance **	**-**	-	**125,000**	125,000
	Borrowing – current ***	**-**	-	**-**	(145,406,600)
	Borrowing – non-current ***	**-**	1,063	**(791,254,599)**	(645,847,999)
KASB Capital	Custodian fees *	**185,000**	185,000	**(50,506)**	(96,756)
Board of Directors	Board oversight fee	**60,000**	25,000	**(60,000)**	(35,000)
Al Rajhi commodity Fund	Advance for investment held at FVTPL	**-**	946,241	**-**	946,241
	Investment held at FVTPL	**2,009,115**	23,834,804	**65,885,112**	63,875,997
Al Khaleej Training and Education Company	Dividends settled against rental income receivables	**14,786,517**	12,938,202	**-**	-
	Rental income and receivables	**36,773,750**	36,773,750	**-**	-

* The Fund Pays a custodian fees of SR 185,000 per annum which is accrued on a daily basis and paid quarterly to the Custodian

** The bank balance with an amount of SR 125,000 (31 December 2020: SR 125,000) is maintained with Al Rajhi Bank under the name of the SPV for the beneficial interest of the Fund.

*** The Fund inherited the loan of SR 399,906,600 from Al Rajhi Real Estate Income Fund, which was converted into REIT by way of in-kind contribution in 2018. The loan was drawn down in 2 tranches. Tranche 1 was of SR 254,500,000 and Tranche 2 of SR 145,406,600. This loan was assigned to Privileged Warehouse Company 2, an SPV acting on behalf of the Fund. The SPV of the Fund continues to service the liability of this loan. Tranche 1 of the loan is secured by pledge of Jarir Book Store Building, Al Mutlaq Building, Anwar Mall, Narjes Mall, Rama Mall. Tranche 2 of the loan is secured by pledge of Al Faris International School Building.

The Tranche 1 was successfully rolled over at its maturity on 20 December 2020 for further period of 5 years at a fixed rate, having maturity date of 20 December 2025 for the bullet principal repayment

On 23 March 2021, the Fund, had availed a SR 145.4 million Shariah-compliant facility from Al Rajhi Bank, at the term of the facility is 5 years. During the tenure of the loan, profit will be paid on a semi-annual basis with a bullet principal repayment at the end of the facility term. This facility is used to refinance the existing loan tranche that was maturing on 23 March 2021. Fund's income-generating properties are already pledged for the existing tranche, in addition to a promissory note as a guarantee. The facility has a variable profit rate of 6 months Sibor + margin.

The finance cost is being paid over five years on a semi-annual basis on both of the above tranches.

On 19 August 2019, the Fund has obtained a Shariah facility of SR 57,551,000 from Al Rajhi Bank. The facility has a variable profit rate of 6 months Saibor + margin, the term of the facility is 7 years.

11 RELATED PARTY TRANSACTIONS AND BALANCE (continued)

On 18 December 2019, the Fund has obtained a Shariah facility of SR 92,302,508 from Al Rajhi Bank. The facility has a variable profit rate of 6 month Saibor + margin, the term of the facility is 7 years.

On 22 December 2019, the Fund has obtained a Shariah facility of SR 65,884,999 from Al Rajhi Bank. The facility has a variable profit rate of 6 months Sibor + margin, the term of the facility is 7 years.

On 4 February 2020, two facilities of SR 100,000,000 and SR 18,602,000 were obtained and then subsequentliy on 9 February 2020, the facility of SR 18,602,000 was merged with existing facility of SR 57,007,000 making the total new facility of SR 75,609,000. The facilities have a variable profit rate of 6 months Sibor + margin %, the term of the facility was 7 years. The above drawdowns are secured by pledged of Luluah warehouse, LULU logistics warehouse, Panda Madain, Al Andalus Jeddah, Panda Khamis Mushait.

12 FAIR VALUE MEASUREMENT

Financial assets consist of rental income receivables and other assets. Financial liabilities consist of deferred rental income and management fee payable. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

The following table shows the fair value of financial instruments and investment properties disclosed as at year end:

31 December 2021	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
Investment held at FVTPL (note 7)	-	**65,885,112**	-	**65,885,112**
Investment properties (note 9.1)	-	-	***2,006,007,770***	***2,006,007,770***
Total	-	***65,885,112***	***2,006,007,770***	***2,071,892,882***

31 December 2020	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
Investment held at FVTPL (note 7)	-	63,875,997	-	63,875,997
Investment properties (note 9.1)	-	-	2,273,890,500	2,273,890,500
Total	-	63,875,997	2,273,890,500	2,337,766,497

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Changes in assumptions about these inputs could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy

There were no transfers between various levels of fair value hierarchy during the current year or prior year.

12 FAIR VALUE MEASUREMENT (continued)

For assets not carried at fair value but for which fair value is disclosed, the valuation of investment properties was determined using discounted cash flow (DCF) and income capitalization approach based on significant unobservable inputs and accordingly is included in Level 3 of the fair value hierarchy. The key inputs include:

Discount rates reflecting current market assessments of the uncertainty in the amount and timing of cash flows (range used by the two evaluators is 8.75% -10 %)

Capitalisation rates based on actual location, size and quality of the properties and considering market data at the valuation date (range used by the two evaluators is 7% -10 %)

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

Estimated vacancy rates based on current and expected future market conditions after expiry of any current lease.

Maintenance costs including necessary investments to maintain functionality of the property for its expected useful life.

Terminal value considering assumptions regarding maintenance costs, vacancy rates and market rents.

There were no changes to the valuation techniques during the year.

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 minimize potential adverse effects on the Fund's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, rental income receivable, investment measured at fair value through profit or loss, accrued management fee, accrued expenses and Borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

13.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk on the followings:

	31 December 2021 SR	*31 December 2020 SR*
Rental income receivable - Net (note 6)	**29,315,180**	39,694,948

The following table details the risk profile of rental income receivables based on the Fund's expected credit loss matrix:

	31 December 2021 Expected credit loss	*31 December 2020 Expected credit loss*
Less than 30 days	**7,881**	35,987
Between 31 to 180 days	**47,742**	469,186
More than 180 days	**26,787,343**	16,264,478
	26,869,966	16,769,652

13 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The carrying amount of financial assets represents the maximum credit exposure.

The Fund seeks to limit its credit risk with respect to rent receivables by charging rent in advance, and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund. Further, the Fund limits its credit risk with respect to due from a related party, as the Fund expects the receivables to be fully recoverable as these are secured by promissory notes from the related parties.

Credit risk is managed on a fund basis. For banks and financial institutions, only independently reputable related parties with a sound credit rating are accepted.

For corporate and retail customers, the Fund assess the risk control and the credit quality of the customer by taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Fund Board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

13.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through increase the fund size or by taking short term loans from local banks.

The table below summarizes the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

31 December 2021	***Less than 1 year***	***More than 1 year***	***Total***
	SR	***SR***	***SR***
Contract liability	13,249,274	-	**13,249,274**
Other liabilities	7,099,685	-	**7,099,685**
Accrued Management fee	4,033,320	-	**4,033,320**
Borrowings	-	791,254,599	**791,254,599**
TOTAL LIABILITIES	24,382,279	791,254,599	**815,636,878**

31 December 2020	***Less than 1 year***	***More than 1 year***	***Total***
	SR	***SR***	***SR***
Deferred rental income	12,766,899	-	12,766,899
Accrued expenses and other liabilities	7,979,539	-	7,979,539
Accrued management fee	12,613	-	12,613
Borrowings	145,406,600	645,847,999	791,254,599
TOTAL LIABILITIES	166,165,651	645,847,999	812,013,650

13.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi Riyals.

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2021

14 SEGMENT REPORTING

The Fund has invested in eighteen real estate investment properties within the Kingdom of Saudi Arabia. All of the Fund's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment.

15 DISTRIBUTIONS

In accordance with the terms and conditions of the Fund, on 1 February 2021, the Fund's Board of Directors approved to distribute dividends to its unitholders for the period from 1 July 2020 to 31 December 2020 amounting to SR 45,319,920 (SR 0.28 per unit). An amount of SR 37,926,662 (including withholding tax) was paid on 25 February 2021 and the remaining amount of SR 7,393,258 was settled against rent receivable due from related party (2020: on 9 February 2020, the Fund's Board approved to distribute dividends for the year ended 31 December 2019 amounting to SR 0.21 per unit totaling SR 33,989,940 to its unit holders. An amount of SR 28,444,996(including withholding tax), the dividends was paid on 27 February 2020 and the remaining amount of SR 5,544,944 was netted from the rent receivable due from related party.

Furthermore, in accordance with the terms and conditions of the Fund, on 5 August 2021, the Fund's Board of Directors approved to distribute dividends to its unitholders for the period ended 30 June 2021 amounting to SR 45,319,920 (SR 0.28 per unit) An amount of SR 37,926,662 (including withholding tax), was paid on 26 August 2021 and the remaining amount of SR 7,393,258 was settled against rent receivable due from related party (2020: on 5 August 2020, the Fund's Board approved to distribute dividends for the period ended 30 June 2020 amounting to SR 0.28 per unit totaling SR 45,319,920 to its unit holders. An amount of SR 37,926,662(including withholding tax) was paid on 27 August 2020 and the remaining amount of SR 7,393,258 was settled against rent receivable due from related party.

16 CONTINGENCIES

In the opinion of Fund Manager there are no contingencies as at the reporting date.

17 EVENTS AFTER THE REPORTING DATE

On 25 January 2022, Al Rajhi Capital, in its capacity as the manager of the Al Rajhi REIT Fund, announces the completion of the process of increasing the limit of the shariah compliant facilities granted to the Fund by Al Rajhi Bank to an amount of SR 600,000,000 The duration of the facility is seven years from any drawdown, bringing the total size of the facilities granted to the fund to be SR 1,416,254,600 including SR 25,000,000 profit rate swap, whenever the fund decides to execute such an agreement.

On 1 February 2022, the Fund's Board approved to distribute a dividend for the six-month period from 1 July 2021 to 31 December 2021 amounting to SAR 0.28 per unit totaling SAR 45,319,920 to its unit holders.

On 9 February 2022, the Fund completed the acquisition of a property named Oasis Mall with total amount SR 93,000,000. the transaction was funded through the available shariah compliant debt facility for the Fund.

18 LAST VALUATION DAY

The last valuation day of the year was 31 December 2021.

19 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 27 Sha'ban 1443H (Corresponding to 30 March 2022).