

AL-MAATHAR REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(MANAGED BY OSOOL AND BAKHEET)
INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021
Together with the
Independent Auditor's Review report to the Unitholders

AL-MAATHAR REIT FUND

INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)

For the six-month period ended 30 June 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE UNITHOLDERS
AL- MAATHAR REIT FUND
Riyadh, Kingdom of Saudi Arabia

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al-Maathar Reit Fund (the "Fund"), managed by Osool & Bakheet Investment Company (the "Fund Manager") as at 30 June 2021 and the related interim statement of comprehensive income, interim statement of changes in net assets (Equity) attributable to unitholders and interim statement of cash flow for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

For Al-Bassam & Co.


Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337



8 Muharram 1443H
16 August 2021G
Riyadh, Kingdom of Saudi Arabia

**AL-MAATHAR REIT FUND
A CLOSED REAL ESTATE INVESTMENTS TRADED FUND
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY**

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts in Saudi Riyals)

	Note	30 June 2021	31 December 2020
		(Unaudited)	(Audited)
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		28,676,627	35,047,631
Rent receivable		8,489,954	12,147,831
Prepaid expenses and other assets		4,774,498	5,148,916
TOTAL CURRENT ASSETS		41,941,079	52,344,378
<u>NON-CURRENT ASSETS</u>			
Net benefit contracts	6	5,948,356	6,871,746
Right-of-use assets		4,646,732	5,246,781
Projects under constructions		23,536,615	14,580,305
Investment properties	7	585,084,245	589,792,818
TOTAL NON-CURRENT ASSETS		619,215,948	616,491,650
TOTAL ASSETS		661,157,027	668,836,028
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accrued expenses and other liabilities		11,392,511	8,356,169
Unearned rental income		9,036,774	17,292,528
Accrued management fees and other	9	773,630	979,649
Provision for zakat		2,741,755	2,119,349
TOTAL CURRENT LIABILITIES		23,944,670	28,747,695
<u>NON-CURRENT LIABILITIES</u>			
Right-of-use liabilities		4,892,056	5,134,309
Bank facilities		95,568,771	85,548,771
TOTAL NON-CURRENT LIABILITIES		100,460,827	90,683,080
TOTAL LIABILITIES		124,405,497	119,430,775
NET ASSETS (EQUITY) VALUE		536,751,530	549,405,253
UNITS IN ISSUE (Number)		61,370,000	61,370,000
PER UNIT VALUE		8.75	8.95
PER UNIT FAIR VALUE	8	9.68	8.87

The accompanying notes (1) to (16) form an integral part of these interim condensed financial statements.

AL-MAATHAR REIT FUND
A CLOSED REAL ESTATE INVESTMENTS TRADED FUND
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)

	<u>Notes</u>	For the six-month period ended 30 June 2021 (Unaudited)	For the six-month period ended 30 June 2020 (Unaudited)
Rental income		24,948,823	26,782,650
Income from Murabaha placement		20,758	30,478
Other revenue		23,334	--
Total operating income		24,992,915	26,813,128
Investment properties depreciation	7	(6,547,991)	(6,411,542)
Benefit contract rent expense		(536,585)	(558,063)
Real estate management expenses		(1,926,649)	(1,292,733)
Fund management fees and other	9	(1,554,158)	(1,904,241)
Custodial fee		(119,601)	(116,970)
Bank facilities interest		(1,109,819)	(924,482)
Properties management fees	9	(921,519)	(734,762)
Expected credit loss expenses		--	(10,118,064)
Lease financing expenses		(158,710)	(199,050)
Other expenses		(673,109)	(1,330,006)
Total operating expenses		(13,548,141)	(23,589,913)
Total income from operations		11,444,774	3,223,215
Benefit contract amortizations	6	(570,703)	(573,856)
Net change of provision for impairment in real estate investments and benefit		1,028,912	1,394,171
Net income for the period before zakat		11,902,983	4,043,530
Zakat charge during the period		(622,406)	(147,273)
Net income for the period after zakat		11,280,577	3,896,257
Other comprehensive income		--	--
Total comprehensive income for the period		11,280,577	3,896,257

The accompanying notes (1) to (16) form an integral part of these interim condensed financial statements.

AL-MAATHAR REIT FUND
A CLOSED REAL ESTATE INVESTMENTS TRADED FUND
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
For the six month-period ended 30 June 2021
(Amounts in Saudi Riyals)

	Note	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
		(Unaudited)	(Unaudited)
Net asset (Equity) value attributable to the Unitholder at beginning of the period		549,405,253	594,819,654
Changes from unit transaction:			
- Subscription of units – Cash		--	--
- Subscription of units – In-kind contribution		--	--
		--	--
Dividend paid during the period	13	(23,934,300)	(38,049,400)
Total comprehensive income for the period		11,280,577	3,896,257
Net asset (Equity) value attributable to the unitholder at end of the period		536,751,530	560,666,511

Transactions in units for the period are summarized as follows:

	For the six-month period ended 30 June 2021	For the six-month period ended 30 June 2020
	(Unaudited)	(Unaudited)
Number of units at the beginning of the period	61,370,000	61,370,000
Subscription of units – Cash	--	--
Subscription of units – In-kind contribution	--	--
Number of units at the end of the period	61,370,000	61,370,000

The accompanying notes (1) to (16) form an integral part of these interim condensed financial statements.

AL-MAATHAR REIT FUND
A CLOSED REAL ESTATE INVESTMENTS TRADED FUND
MANAGED BY OSOOL & BAKHEET INVESTMENT COMPANY
INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)

	Note	For the six- month period ended 30 June 2021 (Unaudited)	For the six- month period ended 30 June 2020 (Unaudited)
OPERATING ACTIVITIES			
Net income for the period before zakat		11,902,983	4,043,530
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Investment properties depreciation	7	6,547,991	6,411,542
Benefit Contracts Amortizations	6	570,703	573,856
Right-of-use assets depreciation		536,586	558,063
Lease liabilities financing		158,710	199,050
Expected credit loss expenses		--	10,118,064
Bank facilities interest		1,109,819	924,482
Change of provision for impairment in real estate investments and benefit	6,7	(1,028,912)	(1,394,171)
		19,797,880	21,434,416
Changes in operating assets:			
Rent Receivable		3,657,877	(5,508,740)
Prepaid expenses and other assets		374,418	(1,530,557)
Changes in operating liabilities:			
Accrued expenses and other payable		1,926,523	1,716,010
Unearned rental income		(8,255,754)	(7,626,008)
Accrued management fees and other		(206,019)	(78,451)
Zakat provision		--	--
Net cash generated from operating activities		17,294,925	8,406,670
INVESTING ACTIVITIES			
Purchase of investment properties		--	(31,000,000)
Projects under implementation		(8,956,310)	--
Improvement of properties		(457,819)	--
Net cash used in investing activities		(9,414,129)	(31,000,000)
FINANCING ACTIVITIES			
Payment of lease liability		(337,500)	(337,500)
Bank facilities		10,020,000	32,550,000
Dividend paid during the period	13	(23,934,300)	(38,049,400)
Net cash used in financing activities		(14,251,800)	(5,836,900)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,371,004)	(28,430,230)
Cash and cash equivalents at the beginning of the period	6	35,047,631	43,635,850
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	28,676,627	15,205,620

The accompanying notes (1) to (16) form an integral part of these interim condensed financial statements.

AL-MAATHAR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Al-Maathar REIT (the “REIT” or the “Fund”) is a closed-ended real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the CMA. The REIT is listed on the Tadawul and units of the REIT shall be on traded on the Tadawul in accordance with its rules and regulations. The Capital of the REIT is SAR 613,700,000. The REIT has a term of 99 years, which is extendable in the discretion of the Fund Manager with the prior approval of the CMA.

The REIT is managed by Osool & Bakheet investment Company (the “Fund Manager”), a Saudi Closed Joint Stock Company with Saudi Arabian commercial registration no. 1010219805, Dated 02/05/1427H (corresponding to 29/05/2006 G) and an Authorized Person licensed by the CMA under license no. 08126-07 to engage in the business of dealing as an agent, management and custody in the securities business.

The Fund aims to invest in real estate assets that are capable of achieving periodic rental income within the Kingdom of Saudi Arabia in accordance with the Fund's investment strategy set out in the Fund's terms and conditions and distribution of at least 90% of the Fund's net profits annually. The Fund invests in secondary assets in real estate development projects in accordance with the limitations set out in the Fund's strategy in Article (f) of the Fund's terms and conditions.

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

2. REGULATING AUTHORITY

The fund is subject to the Real Estate Investment Funds Regulations (“Regulations”) and the Instructions for Real Estate Investment Traded Funds published by the Capital Market Authority, which outline the requirements that all real estate funds and real estate funds traded in the Kingdom of Saudi Arabia must follow.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and pronouncement issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The interim condensed financial statements have been prepared under the historical cost convention, as amended, using the accrual basis of accounting except for investments carried at fair value through profit or loss, which are measured at fair value.

3.2 Functional and presentation currency

These interim condensed financial statements have been prepared in Saudi Riyals (SAR) which is the Fund's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to nearest Riyal, unless otherwise mentioned.

AL-MAATHAR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (continued)

3.3 Critical accounting judgments, estimates and assumption

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2020, except for the estimate described below:

Measurement of the expected credit loss allowance

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

4. NEW STANDARDS AND INTERPRETATION

The significant accounting policies applied in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the Fund's financial statements for the year ended 31 December 2020. There are new standards and amendments to be applied for the first time in 2021, but they do not have an impact on the condensed financial statements, if any.

There are many other amendments and interpretations issued but not effective after the date of issuance of the Fund's interim condensed financial statements.

The Fund's Board of Directors believes that these amendments and interpretations will not have a material impact on the Fund's interim condensed financial statements.

The Fund intends to apply these amendments and interpretations, if any.

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- MANAGEMENT FEE, OTHER EXPENSES

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.5% percent per annum of the Fund's total assets value and is paid on quarterly basis.

- TRANSACTION FEE

Further, the Fund Manager charges the Fund, transaction fee at the rate of 1% percent on the acquisition or sale price of the real estate assets.

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

6. NET BENEFIT CONTRACTS, NET

	<u>30 June 2021</u> (Unaudited)	31 December 2020 (Audited)
Cost at the beginning of the period / year	6,871,746	8,041,114
Addition	--	292,667
Amortization	(570,703)	(1,446,685)
Impairment	(352,687)	(15,350)
	<u>5,948,356</u>	<u>6,871,746</u>

The Fund has an agreement to transfer benefit contracts concluded with Zawya Al Ma'athar on 15 March 2017 to enter on 15 August 2017. Benefit contracts consist of the following:

- Alrabee benefit: is a commercial property located in King Abdulaziz Road in the Alrabee district of Riyadh and the cost of the purchase of the benefit amount of 1,483,659 Saudi riyals and Amortized over 5 years.

- Al-Quds benefit: is a commercial office property located in King Abdullah Bin Abdul Aziz Road in Al-Quds district in Riyadh. The cost of purchasing the benefit is SAR 2,243,693 and is amortized over 10 years.

- Wadi Laban benefit: is a residential commercial property located in the Shafa road in Dhahra Laban district in Riyadh. The cost of purchasing the benefit amounts to SR 1,375,978 and is amortized over 10 years.

- Aldabab benefit: is a commercial office located in Imam Abdullah bin Faisal Road in Almurba'a district of the city of Riyadh and the cost of the purchase of the benefit amount of 5,927,493 Saudi riyals and is amortized over year 15 years.

7. INVESTMENT PROPERTIES

As at 30 June 2021 (Unaudited)	<u>Land</u>	<u>Building</u>	<u>Furnitures</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 1/1/2021 (Audited)	291,684,318	330,293,438	8,782,873	630,760,629
Additions	--	421,051	36,768	457,819
Impairment reversal*	80,442	1,249,095	52,062	1,381,599
Balance as of 30 June 2021 (Unaudited)	291,764,760	331,963,584	8,871,703	632,600,047
<u>Accumulated Depreciation</u>				
Balance as of 1/1/2021 (Audited)	--	36,497,989	4,469,822	40,967,811
Charge for the period	--	5,873,102	674,889	6,547,991
Balance as of 30 June 2021 (Unaudited)	--	42,371,091	5,144,711	47,515,802
Book Value:				
as of 30 June 2021 (Unaudited)	291,764,760	289,592,493	3,726,992	585,084,245

*During the period ended 30 June 2021, an amount of 1,381,599 Saudi riyals representing partial reversal of original impairment was recognized in the interim statement of comprehensive income.

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

7. INVESTMENT PROPERTIES (continued)

As at 31 December 2020 (Audited)	Land	Building	Furnitures	Total
Cost				
Balance as of 1/1/2020 (Audited)	280,609,019	308,932,205	8,900,507	598,441,731
Additions	19,856,700	28,902,286	150,391	48,909,377
Impairment	(8,781,401)	(7,541,053)	(268,025)	(16,590,479)
Balance as of 31 December 2020 (Audited)	291,684,318	330,293,438	8,782,873	630,760,629
Accumulated Depreciation				
Balance as of 1/1/2020 (Audited)	--	24,791,769	3,123,832	27,915,601
Charge for the period	--	11,706,220	1,345,990	13,052,210
Balance as of 31 December 2020 (Audited)	--	36,497,989	4,469,822	40,967,811
Net Book Value:				
Balance as of 31 December 2020 (Audited)	291,684,318	293,795,449	4,313,051	589,792,818

Real estate investments consist of ten real estate, which are as follows:

- Al-Maather: represents commercial, residential and office real estate located on Prince Turki bin Abdulaziz Al-Awal Road in Al-Maather district in Riyadh.
- Al Rabeeh: Commercial real estate represents "hotel units" located in Prince Saud bin Muhammad bin Muqrin Road in Al Rabeeh district in Riyadh.
- Al Mohammadia: represents commercial and office real estate located on King Fahd Bin Abdulaziz Road in Al-Olaya district in Riyadh.
- Al- Takhassusi: represents a commercial real estate located in Al-Takhasusi Street in Al-Maather district in Riyadh.
- Al Sahafa 1: represents an office commercial property located on Olaya Street in Al Sahafa district in Riyadh.
- Al Sahafa 2: It represents an office property located on Olaya Street in Al Sahafa district in the city of Riyadh.
- Hair warehouse: it represents warehouses and is located in the Al-Masani neighborhood in Riyadh.
- Suli warehouse: it represents warehouses and is located in Al-Khattab Street in Al-Sulay district in Riyadh.
- Towlan Hotel Suites: It represents hotel suites and is located in Al Aqrabiyah district in Al Khobar.
- Elite Educational Schools: An educational property located in Al-Fahd neighborhood road in Onaiza city. Which was purchased during period.
- Al-Salam Schools: An educational real estate land under construction located in Al-Salam neighborhood in Riyadh.

The Fund transferred the ownership of Al-Sahafa 1, Al-Sahafa 2, Al Mohammadia, Genx Al Rabie and Al-Takhassusi to Al-Rajhi Banking and Investment Company, a wholly owned subsidiary of Al-Rajhi Bank, as a guarantee of SAR 95 million against the Islamic facility obtained from the bank. The book value of Al Sahafa 1, Al Sahafa 2, Al Mohammadia, Genx Al Rabie and Al Takhassusi is 279 million Saudi riyals as at the date of the report.

The market value of real estate was determined by appraisers accredited to Taqem according to a valuation system in line with the international valuation standards of the International Valuation Standards Board. The assumptions used in determining the fair value of investment properties are as follows:

AL-MAATHAR REIT FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)
7. INVESTMENT PROPERTIES (continued)

Statements	Valuation method	Market value			
		30 June 2020		31 December 2020	
		Valuation	White Cubes	Areeb	Valustrat
Genx Al Maather	DCF	165,535,000	177,600,000	168.580.053	135.000.000
Genx Al Rabie	DCF	39,044,000	42,260,000	44.649.989	30.000.000
Al Mohammadia	DCF	102,574,000	105,890,000	96.496.401	98.000.000
Al Tkahssusi showrooms	DCF	62,486,000	66,650,000	50.979.529	58.000.000
Al Sahafa bulding 1	DCF	45,125,000	53,910,000	47.369.278	51.000.000
Al Sahafa bulding 2	DCF	50,469,000	62,270,000	51.873.791	55.000.000
Hair warehouses	DCF	18,171,000	20,250,000	20.697.613	15.500.000
Suli warehouses	DCF	44,244,000	49,080,000	52.975.901	37.500.000
Towlan Hotel Suites	DCF	25,667,000	29,810,000	23.330.814	22.000.000
Al Nokhba Educational Schools	DCF	29,278,000	37,640,000	28.740.288	30.500.000
Al Salam Schools	DCF	44,417,000	55,380,000	40.670.228	40.000.000
		627,010,000	700,740,000	626.363.885	572.500,000
Average			663,875,000	599.431.943	

At the end of 2020, for the purpose of assessing impairment, the value in use of investment properties was determined by approved valuers from ("TAQEEM"), in accordance with the guidance provided in IAS 36 "Impairment of Assets". Since the book value exceeds the recoverable value (above the fair value minus selling costs and value in use), the Fund recorded an impairment in 2020 by 16 million Saudi riyals using the following assumptions:

Appraisal:

Statement	Key assumptions				Redemption value	
	Weighted average cost of capital		Final capitalization rate		30 June 2021	31 December 2020
	30 June 2021	31 December 2020	30 June 2021	31 December 2020		
Genx Al Maather	--	%8.05	--	%8.75	--	170,936,430
Genx Al Rabie	--	%8.05	--	%8.5	--	41,031,349
Al Mohammadia	--	%8,26	--	%8.5	--	97,248,201
Al Tkahssusi showrooms	--	%7.18	--	%9	--	56,691,452
Al Sahafa bulding 1	--	%7,61	--	%8.5	--	52,999,313
Al Sahafa bulding 2	--	%7,61	--	%8.5	--	53,436,896
Hair warehouses	--	%8,05	--	%10	--	18,098,807
Suli warehouses	--	%8,05	--	%9.5	--	45,626,385
Towlan Hotel Suites	--	%7,61	--	%10.5	--	24,602,106
Al Nokhba Educational Schools	--	%7,61	--	%8.5	--	32,110,939
Al Salam Schools	--	%7.61	--	%8.5	--	40,335,114
					--	633,116,992

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

8. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT 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 interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The valuation of the investment properties (the "properties") is determined by **Saudi Assets Valuation Company (VALUATION) and White Valuation Services (White Cubes)**. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM"). The Fund Manager has used the average of two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration a number of factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the land plus cost model, residual value method and discounted cash flow method.

the valuation of the investment, properties are as follows:

30 June 2021 (Unaudited)	Tathmen	White Cubes	Average
Investment properties	627,010,000	700,740,000	663,875,000
Benefit contracts	8,165,000	7,569,385	7,867,193
Total	635,175,000	708,309,385	671,742,193
		Valustrat Company Real estate appraisal expert	Average
31 December 2020 (Audited)	Areeb Company for Real Estate Appraisal		
Investment properties	626.363.885	572.500.000	599.431.942
Benefit contracts	4.256.795	9.500.000	6.878.398
Total	630.620.680	582.000.000	606.310.340

Management 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 a number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method.

The analysis of investment properties fair value versus cost is disclosed below:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	671,742,193	606.310.340
Less: the carrying value of		
Investment properties	(585,084,245)	(589.792.818)
Projects under constructions	(23,536,615)	(14.580.305)
Benefit Contracts	(5,948,356)	(6.871.746)
Estimated fair value in excess book value	57,172,977	(4.934.529)
Units in issue (numbers)	61,370,000	61.370.000
Additional value per unit based on fair value	0.93	(0.08)

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

8. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED*Net asset to unitholders:*

	<u>30 June 2021</u>	<u>31 December 2020</u>
	<u>(Unaudited)</u>	(Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	536,751,530	549,405,253
Estimated fair value in surplus deficit of book value	<u>57,172,977</u>	<u>(4,934,529)</u>
Net asset value attributable to unit holders based on fair value of investment properties	<u>593,924,507</u>	<u>544,470,724</u>

Net asset attributable to each unit:

	<u>30 June 2021</u>	<u>31 December 2020</u>
	<u>(Unaudited)</u>	(Audited)
Book value per unit as per the financial statements before fair value adjustment	8.75	8.95
Increase (Decrease) in value per unit based on fair value	<u>0.93</u>	<u>(0.08)</u>
Net asset value attributable to unit holders based on fair value of investment properties	<u>9.68</u>	<u>8.87</u>

All properties are registered in the name of Baitk for custody (Custodian). The Custodian retains these properties in the usufruct ownership of the Fund, does not own any controlling interests and does not cause any risks to the real estate.

9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include "osool and bakkheet" Property manager, Madad Al Khair property management Corporation and Zawyet Al Maather Real Estate Company.

In the normal course of business, the Fund deals with related parties. Related party transactions are governed by regulations issued by the Capital Market Authority. All transactions with related parties are approved by the Fund's board of directors.

The significant related party transactions entered into by the Fund during the period are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	For the six-month period ended	
		<u>30 June 2021</u>	<u>30 June 2020</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
		<u>Amount of</u>	<u>Amount of</u>
		<u>transaction</u>	<u>transaction</u>
Osool & Bakheet Company	Fund management fee and other	1,554,158	1,904,241
Zawyat alma'athar for real estate – unitholder and Board member (previous owner)	As lessee	347,092	--
Madad Alkhair for real estate	Management property	921,519	734,762
Madad Alkhair for real estate	As lessee	55,200	--
Board of Directors	Attendance allowance	24,000	21,000
Creative Future for Digital Brokerage (subsidiary for Osool and Bakkheet)	As lessee	83,204	--

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

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(Amounts in Saudi Riyals)

9. TRANSACTIONS WITH RELATED PARTIES**The balances resulting from related party transactions are as follows:**

		<u>30 June 2021</u>	<u>31 December 2020</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
<u>Related Party</u>	<u>Nature of transaction</u>	<u>Balance</u>	<u>Balance</u>
Osool & Bakheet Company	Fund management fee and other	(773,630)	(979,649)
Zawyat alma'athar for real estate – unitholder and Board member (previous owner)	As lessee	(264,392)	670,000
Madad Alkhair for real estate	Management property	158,481	(235,703)
Board of Directors	Attendance allowance	(24,000)	(45,000)

*The Board of Directors' attendance allowances and real estate management fees have been included in the interim statement of financial statement under the item accrued expenses and other liabilities.

AL-MAATHAR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

**For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)**

10. Segment reporting

	30 June 2021							Total
	Offices	Hotel suites	showrooms	Warehouses	Schools	Other	Not customized	
Operating revenue	9,519,652	6,145,204	3,358,389	2,755,822	3,090,830	102,260	20,758	24,972,157
Other revenue								20,758
Gross revenue	9,519,652	6,145,204	3,358,389	2,755,822	3,090,830	102,260	20,758	24,992,915
Direct operating expenses	(208,053)	(2,058,082)	(424,142)	(339,000)	(732,970)	-	-	(3,762,247)
Indirect operating expenses	(208,053)	(2,058,082)	(424,142)	(339,000)	(732,970)	-	(3,237,904)	(3,237,904)
Total expenses	(208,053)	(2,058,082)	(424,142)	(339,000)	(732,970)	-	(3,237,904)	(7,000,151)
Total operating income	9,311,599	4,087,122	2,934,247	2,416,822	2,357,860	102,260	(3,217,146)	17,992,764
Impairment depreciation, amortization and profit or loss	(1,974,588)	24,613	(1,308,253)	(3,465,547)	633,994	-	-	(6,089,781)
Net profit before zakat	7,337,011	4,111,735	1,625,994	(1,048,725)	2,991,854	102,260	(3,217,146)	11,902,983
	31 December 2020							Total
	Offices	Hotel suites	showrooms	Warehouses	Schools	Other	Not customized	
Operating revenue	18,035,308	13,488,189	11,082,021	5,339,373	3,160,826	160,013	72,075	51,265,730
Other revenue	-	-	-	-	-	-	-	72,075
Gross revenue	18,035,308	13,488,189	11,082,021	5,339,373	3,160,826	160,013	72,075	51,337,805
Direct operating expenses	(536,566)	(3,888,279)	(1,054,307)	(392,001)	(1,740,338)	(70,239)	-	(7,681,730)
Indirect operating expenses	-	-	-	-	-	-	(7,290,170)	(7,290,170)
ECL provision	(856,469)	(7,404,421)	(2,908,665)	(257,554)	-	(3,935)	-	(11,431,044)
Total expenses	(1,393,035)	(11,292,700)	(3,962,972)	(649,555)	(1,740,338)	(74,174)	(7,290,170)	(26,402,944)
Total operating income	16,642,273	2,195,489	7,119,049	4,689,818	1,420,488	85,839	(7,218,095)	24,934,861
Impairment depreciation, amortization and	(6,753,183)	(12,642,806)	(6,081,886)	(4,495,492)	(801,891)	(36,798)	-	(30,812,056)
Net profit before zakat	9,889,090	(10,447,317)	1,037,163	194,326	618,597	49,041	(7,218,095)	(5,877,195)

AL-MAATHAR REIT FUND

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11. RISK MANAGEMENT

11.1 Financial risk management

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

Financial instruments carried in these interim condensed financial statements principally include cash and cash equivalents, rent receivable, Islamic financing, accrued management fees, and other liabilities included in the interim condensed financial statements.

(a) Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, commission rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The REIT management monitors on a regular basis the fluctuation and changes in the overall economic environment.

Currency risk

Currency risk is the risk that the value of financial instrument may fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund i.e. bank balances, rent receivable, accrued management fee and accrued expenses and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

Price risk

Price risk is the risk that the value of a fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than the movement of foreign currencies and the commission rate. Price risk arises primarily from the uncertainty about the future prices of the financial instruments held by the fund. The fund monitors the price movement of its investments in financial instruments.

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its rent receivable, other receivables and cash at bank.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Cash is placed with a reputable financial institution with a sound credit rating.

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

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Cash and cash equivalents		28,676,627	35,047,631
Rent Receivable		8,489,954	12,147,831

Management has performed the review as required by IFRS 9 and based on the assessment, management believes that there is no need for any impairment loss against the carrying amount of cash and cash equivalents.

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

11. RISK MANAGEMENT**11.1 Financial risk management****(c) Liquidity risk**

It is the risk that the fund will face difficulties in obtaining the necessary financing to meet the obligations associated with financial liabilities and the fund manager monitors the liquidity requirements on an ongoing basis in order to ensure the adequacy of the available financing to meet any obligations when they arise.

The Fund's terms and conditions stipulate that units are subscribed and redeemed every business day, and as such, it is exposed to the liquidity risk of redeeming shareholder funds on these days. The fund's financial liabilities consist primarily of accounts payable that are expected to be settled within one month of the date of the interim condensed financial position.

The Fund manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any obligations when they arise, either through new subscriptions, liquidating the investment portfolio, or by taking short-term loans from the fund manager.

The table below summarizes the maturity profile of the Fund's significant assets and liabilities based on expected maturities:

	30 June 2021 (Unaudited)		
	A year and less	More than 1 year	Total
Cash and cash equivalents	28,676,627	--	28,676,627
Rent receivable, net	8,489,954	--	8,489,954
Prepaid expenses and other assets	4,774,498	--	4,774,498
Net benefit contracts	5,948,356	--	5,948,356
Right-of-use assets	--	4,646,732	4,646,732
Project under implementation	23,536,615	--	23,536,615
Investment properties	--	585,084,245	585,084,245
TOTAL ASSETS	71,426,050	589,730,977	661,157,027
Accrued expenses and other liabilities	11,392,511	--	11,392,511
Unearned rental income	9,036,774	--	9,036,774
Accrued management fees and other	773,630	--	773,630
Lease liability	--	4,892,056	4,892,056
Islamic facilities	--	95,568,771	95,568,771
Zakat provision	2,119,349	--	2,119,349
TOTAL LIABILITIES	23,322,264	100,460,827	123,783,091
	31 December 2020 (Unaudited)		
	A year and less	More than 1 year	Total
Cash and cash equivalents	35,047,631	--	35,047,631
Rent receivable, net	12,147,831	--	12,147,831
Prepaid expenses and other assets	5,148,916	--	5,148,916
Net benefit contracts	6,871,746	--	6,871,746
Right-of-use assets	--	5,246,781	5,246,781
Project under implementation	14,580,305	--	14,580,305
Investment properties	--	589,792,818	589,792,818
TOTAL ASSETS	73,796,429	595,039,599	668,836,028
Accrued expenses and other liabilities	8,356,169	--	8,356,169
Unearned rental income	17,292,528	--	17,292,528
Accrued management fees and other	979,649	--	979,649
Lease liability	--	5,134,309	5,134,309
Islamic facilities	--	85,548,771	85,548,771
Zakat provision	2,119,349	--	2,119,349
TOTAL LIABILITIES	28,747,695	90,683,080	119,430,775

AL-MAATHAR REIT FUND**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****For the six-month period ended 30 June 2021****(Amounts in Saudi Riyals)****11. RISK MANAGEMENT****11.1 Financial risk management****(d) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

11.2 Fair value estimation

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 Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are observable inputs for the asset or liability.

On 30 June, 2021, the Fund's financial instruments include cash and cash equivalents, rent receivables, Islamic financing, accrued management fees, accrued expenses and other liabilities. All financial instruments are measured at amortized cost, and their carrying value is considered as a reasonable approximation of the fair value.

12. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortized cost as of 30 June 2021 and 31 December 2020.

13. DIVIDEND

In accordance with the Fund's terms and conditions, the Fund aims to provide annual dividend distribution no less than 90% of the Fund's net profits. The Fund Board of Directors approved the distribution of dividends for the year ended 31 December 2020, amounting to 0.39 Saudi riyals per unit totalling 23,934,300 Saudi riyals and were paid in March 2021. Dividends were distributed for the period (31 December 2019: 38,049,400 Saudi riyals) and were paid in March 2020.

14. CHANGES IN FUNDS TERMS AND CONDITIONS

During the period, the Fund revised its terms and conditions, as the Fund updated the audit fees and profiles of the board members.

15. LAST VALUATION DAY

The last valuation day of the period was at 30 June 2021.

16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 7 Muharram 1443H (corresponding to 15 August 2021).
