

Al Maather REIT
Closed-Ended Investment Traded Funds
(Managed by Osool & Bakheet Investment Company)

**Condensed consolidated interim financial statements (unaudited) and independent auditor's report on
limited review
For the six months period ended at June 30, 2022**

Al Maather REIT
(Managed by Osool & Bakheet Investment Company)

interim financial statements (unaudited) and independent auditor' report on limited review
For the six months period ended June 30, 2022

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Independent Auditor' report on limited review of the condensed consolidated Interim financial statement.

To the Unitholders of Al Maather REIT

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Maather REIT (the Fund), which is managed by Osool & Bakheet investment company (The Fund Manager) as at June 30, 2022 and the condensed consolidated interim statements of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in net assets attributable to unitholders and condensed consolidated interim statement of cash flows for the six - month period that ended on that date and the accompanying notes which are an integral part of these condensed consolidated interim financial statements. The Fund Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with international accounting standard 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these Condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the international standard on review engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated 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, as 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants Professional Services Company

Mohammed Bin Farhan Bin Nader

License No. 435

Riyadh, Kingdom of Saudi Arabia

17 Muharram 1444 (corresponding to 15 August 2022)



Al Maather REIT
 Closed-Ended Investment Traded Funds
 (Managed by Osool & Bakheet Investment Company)

Condensed consolidated interim statement of financial position (unaudited)

As at June 30, 2022

(By Saudi Riyal)

	Note	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets			
Non-current assets			
Right of use assets, net	6	3,936,945	4,254,447
Benefits contracts, net	7	4,722,782	5,119,823
Capital work in progress	8	-	23,661,502
Investment properties	9	684,479,030	566,420,191
Total non-current assets		693,138,757	599,455,963
Current assets			
Account receivables, net	11	14,204,799	5,131,615
Prepaid expenses and other assets	12	6,437,973	4,056,560
Cash and cash equivalent	13	21,016,349	51,387,387
Total current assets		41,659,121	60,575,562
Total assets		734,797,878	660,031,525
Liabilities			
Non-current liabilities			
Lease obligations – noncurrent portion	6	4,121,101	4,391,180
Islamic murabahat	14	205,543,077	101,548,294
Total non-current liabilities		209,664,178	105,939,474
Current liabilities			
Lease obligations – current portion	6	375,000	325,000
Deferred revenue		12,747,493	11,836,971
Due to related parties	15	1,053,043	1,134,148
Zakat provision		1,302,221	4,856,933
Accrued expenses and other liabilities		1,376,206	2,087,797
Total current liabilities		16,853,963	20,240,849
Total liabilities		226,518,141	126,180,323
Equity attributable to unitholders			
Net assets attributable to unitholders		508,279,737	533,851,202
Units in issue (numbers)		61,370,000	61,370,000
Assets book value attributable to unitholders		8.28	8.70
Assets fair value attributable to unitholders	10	9.57	9.69

The accompanying notes (1) to (19) form an integral part of these interim financial statements

Condensed consolidated interim statement of profit or loss and other comprehensive income
(unaudited)
For the six – months period ended June 30, 2022
 (By Saudi Riyal)

	Note	For the six-months period ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
<u>Profit or loss</u>			
Income			
Rental income		31,166,885	24,948,823
Islamic murabaha deposit income		50,236	20,758
Other income		27,500	23,334
Total income for the period		31,244,621	24,992,915
Expenses			
Benefit contracts' rent expenses		(317,502)	(536,585)
Real estates management expenses		(1,807,830)	(1,926,649)
Fund managements fees and others	15	(2,938,059)	(1,554,158)
Custodian fees	15	(130,111)	(119,601)
Banks facilities interest		(2,697,204)	(1,109,819)
Properties management expenses		(788,295)	(921,519)
Lease obligations financing charges		(154,921)	(158,710)
Other expenses		(962,862)	(673,109)
Total expenses for the period		(9,796,784)	(7,000,150)
Net income for the period		21,447,837	17,992,765
Investment properties depreciation		(8,053,818)	(6,547,991)
Benefit contracts amortization		(397,041)	(570,703)
Net change of provision for impairment in investment properties and benefit		(1,446,496)	1,028,912
Net profit for the period before zakat		11,550,482	11,902,983
Zakat		(1,307,121)	(622,406)
Net profit for the period		10,243,361	11,280,577
<u>Other comprehensive income</u>			
Items not be reclassified subsequently to statement of profit or loss			
Currency translation differences		(833,926)	-
Total comprehensive income for the period		9,409,435	11,280,577

The accompanying notes (1) to (19) form an integral part of these interim financial statements

Al Maather REIT
 Closed-Ended Investment Traded Funds
 (Managed by Osool & Bakheet Investment Company)

Condensed consolidated interim statement of changes in net assets attributable to unitholders
(unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

	For the six-months period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Net assets value attributable to unitholders, beginning of the period	533,851,202	549,405,253
Net income for the period	10,243,361	11,280,577
Other comprehensive income	(833,926)	-
Dividends paid	(34,980,900)	(23,934,300)
Net assets value attributable to unitholders, at the end of the period	508,279,737	536,751,530

Unit transactions

Transactions in units during the period are summarized as follows:

	For the six-months period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
	Unit	Unit
Units number, beginning of the period	61,370,000	61,370,000
Units number, at the end of the period	61,370,000	61,370,000

The accompanying notes (1) to (19) form an integral part of these interim financial statements

Condensed consolidated interim statement of cash flows (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

	For the six-months period ended 30	
	June	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net income for the period before zakat	11,550,482	11,902,983
Adjustments to reconcile net income for the period to net cash generated from operating activities		
Investment properties' depreciation	8,053,818	6,547,991
Benefit contracts' amortization	397,041	570,703
Right of use depreciation	317,502	536,586
Lease obligations' financing charges	154,921	158,710
Expected credit loss expenses charged	-	-
Bank's facilities interest	2,697,204	1,109,819
Net change of provision for impairment in investment properties	1,446,496	(1,028,912)
Currency translation differences	(833,926)	-
	<u>23,783,538</u>	<u>19,797,880</u>
Changes in operating assets and liabilities		
Account receivables	(9,073,184)	3,657,877
Prepaid expenses and other assets	(2,381,413)	374,418
Accrued expenses and other liabilities	(711,591)	1,926,523
Deferred revenue	910,522	(8,255,754)
Due to related parties	(81,105)	(206,019)
Zakat paid	(4,861,833)	-
Net cash generated from operating activities	<u>7,584,934</u>	<u>17,294,925</u>
Cash flows from investing activities		
Additions to investment properties	(102,043,631)	-
Additions to capital work in progress	(1,556,441)	(8,956,310)
Improvement of properties	-	(457,819)
Net cash used in investing activities	<u>(103,600,072)</u>	<u>(9,414,129)</u>
Cash flows from financing activities		
Paid from lease obligations	(375,000)	(337,500)
Proceeds from bank facilities	101,000,000	10,020,000
Dividends paid	(34,980,900)	(23,934,300)
Net cash generated from (used in) financing activities	<u>65,644,100</u>	<u>(14,251,800)</u>
Net change in cash at banks	<u>(30,371,038)</u>	<u>(6,371,004)</u>
Cash at banks, beginning of the period	<u>51,387,387</u>	<u>35,047,631</u>
Cash at banks, at the end of the period	<u>21,016,349</u>	<u>28,676,627</u>
<u>Non-cash transaction</u>		
Capitalized financing benefits on capital work in progress	<u>297,579</u>	-
Capital work in progress transferred to investment properties	<u>25,515,522</u>	<u>219,800</u>

The accompanying notes (1) to (19) form an integral part of these interim financial statements

Al Ma'ather REIT

Closed-Ended Investment Traded Funds

(Managed by Osool & Bakheet Investment Company)

Notes to the condensed consolidated interim financial statements (unaudited)

For the six - month period ended June 30, 2022

1 - The Fund and its Activities

Al-Ma'ather REIT Fund (the "Fund"), managed by Osool and Bakheet Investment Company (the "Fund Manager") is a closed-end real estate investment fund that operates in accordance with the real estate investment funds regulations and the regulations for real estate investment traded funds issued by the capital market authority. The fund is traded in the Saudi Stock Exchange ("Tadawul") and its units are traded in accordance with the relevant laws and regulations.

The fund aims to invest in real estate assets that can achieve periodic rental income from the Kingdom of Saudi Arabia and in accordance with the fund's investment strategy and to distribute at least 90% of the fund's net profits annually. The fund secondarily invests its assets in real estate development projects, in accordance with the restrictions specified in the fund's strategy.

The Fund is managed by Osool and Bakheet Investment Company, a closed joint stock company under Commercial Registration No. 1010219805, dated Jumada Al-Ula 2, 1427 AH (corresponding to May 29, 2006) and licensed as an "authorized person" under the CMA license No. 08126-07 to engage in the activity of dealing as principal and agent. Management and custody in the securities business.

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

The fund's capital is 613,700,000 Saudi riyals, and the fund term is ninety-nine years starting from the date of listing the units in Tadawul, subject to renewal for a similar period at the discretion of the fund manager and after obtaining the approval of the Capital Market Authority.

2 - Regulating Authority

The Fund is governed by Investment Funds Regulations (the "Regulations"), issued by Capital Market Authority (CMA) on 3 Dhul Hijjah 1427H (corresponding to 24 December 2006), and as of 6 Safar 1438H (corresponding to November 6, 2016) to the new Investment Funds Regulations ("the amended Regulations") issued by CMA on 17 Rajab 1442 (corresponding to March 1, 2021), detailing requirements for all types of funds in the Kingdom of Saudi Arabia. The amended Regulations Effective starting from 19 Ramadan 1442 (corresponding to May 1, 2021).

The fund is also subject to the real estate investment fund regulations issued by the Capital Market Authority.

3 - Basis of preparation

Statement of compliance

The accompanying Condensed consolidated Interim financial statements have been prepared in accordance with International Accounting Standard No. 34 "Initial Financial Report" approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Auditors and Accountants.

The disclosures made in these interim condensed financial statements have been limited in accordance with the requirements of IAS 34. These 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 annual audited financial statements of the Fund for the year ended 31 December 2021 ("last annual financial statements").

Basis of measurement

These Condensed consolidated Interim financial statements are prepared accordance with historical cost principle, accrual basis of accounting and going concern concept, another basis is used if the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Auditors and Accountants, as indicated in the significant accounting policies (note 5).

Presentation and functional currency

These Condensed consolidated Interim financial statements are presented in Saudi Riyals which is the functional currency and are rounded to the nearest Saudi Riyal.

Accounting records

The Fund maintains regular accounting records on the computer and in Arabic language.

Al Maather REIT

Closed-Ended Investment Traded Funds
(Managed by Osool & Bakheet Investment Company)

Notes to the condensed consolidated interim financial statements (unaudited) For the six - month period ended June 30, 2022

3 -Basis of preparation (continued)

Use of judgments, estimates and assumptions

Preparing Condensed consolidated Interim financial statements in accordance with international financial reporting standards endorsed in the Kingdom of Saudi Arabia and other standards supplement the international standards endorsed by the Saudi Organization for Auditors and Accountants requires the use of some significant judgment, estimates and assumptions that affect the amounts of assets and liabilities presented and the disclosure of potential assets and liabilities at the date of preparing the financial reports and the recorded amounts of revenues and expenses during the period of financial reports. Judgments, estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The fund makes judgments, estimates and assumptions regarding the future. The resulting accounting estimates may differ from actual results.

Major area where estimates or judgements made are significant to the fund's financial statements or where judgements were exercised in the application of accounting policies are as follows:

Measuring the fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured on the basis of traded prices in active markets, the fair value is determined using valuation methods including the discounted cash flow method. Inputs to these methods are made through observable markets where possible, and when this is not feasible, a degree of judgment is required to determine fair value. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Assumptions relating to these factors on the fair value of financial instruments.

Investment properties' classification

Management determines whether real estate qualifies as investment property. In making the assessment, management considers the intended use of these properties, whether they are to be held for rental or capital appreciation purposes, and those properties that are held for an undetermined future use, as well as the significance of the value of these properties and whether these properties will generate future cash flows to substantially from the other assets held by the fund.

Going Concern

The Fund's management made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future. In addition, the management is not aware of any material uncertainty that may cast doubt on the ability of the Fund to continue according to the going concern basis. Accordingly, the financial statements have been prepared on the going concern basis.

4 -New standards and amendments to standards, interpretations and issued standards that have not yet been applied

New standards, amendments to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in fund's annual Financial Statements, but they do not have a material effect on the fund's Interim Financial Statements. The fund did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022

5 -Significant accounting policies

Below are significant accounting policies adopted:

Current versus non-current classification

The fund presents its assets and liabilities in the statement of financial position based on a current / non-current basis. The assets are considered as a current when its:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents, unless restricted from paying exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

All liabilities are considered as a current, when its:

- It is expected to be settled in 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.

All other liabilities are classified as non-current

Investment properties

Investment properties consist of completed properties held for the purpose of generating rental income or to increase the value of the assets belonging to the unit holders or both. Investment properties are stated at cost including transaction costs after deducting accumulated depreciation and impairment losses, if any. This cost includes the cost of replacing part of an existing investment property at the time the cost is incurred if the evidentiary criteria are met.

The estimated depreciation ratios for the main items of these investment properties are as follows:

<u>Description</u>	<u>Useful life</u>
Buildings	3.3% - 5%
Furniture and fixtures	15%

Fair value measurement

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.

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

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

Al Maather REIT

Closed-Ended Investment Traded Funds

(Managed by Osool & Bakheet Investment Company)

Notes to the condensed consolidated interim financial statements (unaudited)**For the six - month period ended June 30, 2022**

5 -Significant accounting policies (continued)**Fair value measurement (continued)**

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; and

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 the 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 reporting period.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Fund's accounting policies.

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.

Net assets value

Net assets value per unit, disclosed in the statement of financial position is calculated by dividing the net assets of the Fund by the numbers of issued units as at the end of period / year.

Account receivables

Accounts receivable are stated at the original amount of the bill less the allowance for any uncollectible amounts. An expected credit loss provision is charged when there is objective evidence indicating that the company is unable to collect the amounts due according to the original terms of the receivables, and bad debts are written off when identified against the related allocations are charged to the statement of profit or loss, and any subsequent recoveries of receivables that were previously written off are added to other revenue.

Cash and cash equivalent

Cash and cash equivalent comprise bank balances, term deposits with original maturity of three-months or less from the acquisition date.

Related parties

The related party is a person or entity related to the fund, and the person is related if he owns control or significant influence over the fund or is a member of the main management, and the entity is related if the entity is a member in same the group as a parent institute or a subsidiary or an associate institute or associated with a joint venture, or both entities are a joint venture of a third party.

Transaction with related parties transfer of resources, services, or obligations between the fund and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the fund, including the manager.

Al Maather REIT

Closed-Ended Investment Traded Funds
(Managed by Osool & Bakheet Investment Company)

Notes to the condensed consolidated interim financial statements (unaudited) For the six - month period ended June 30, 2022

5 -Significant accounting policies (continued)

Accounts payable and accruals

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

The assets and liabilities arising under the lease are initially measured based on the present value of the unpaid lease payments at the inception date of the contract, and the incremental borrowing rate of the fund is used.

Right of use assets

is initially recognized:

- The initial measurement amount of the lease obligation is the present value of future lease payments;
- Any lease payments made on or before the starting date of the lease contract minus any lease incentives received;
- Any initial direct costs incurred by the Company as a lessee;
- An estimate of the costs that the Company will incur as a lessee to dismantle and remove the assets, and return the site where the asset is located to the original state.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease obligation.

The Company depreciates the right-of-use asset over the estimated term of the lease on a straight-line basis.

The lease liability is subsequently measured as follows:

- Increasing the carrying amount to reflect the interest on the lease obligation;
- Reducing the carrying amount to reflect rental payments;
- Re-measure the carrying amount to reflect any revaluation or amendments to the lease agreement.

The Company separates the amounts paid into the original portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

The Company separates the amounts paid into the original portion (presented under financing activities) and interest (presented within operating activities) in the statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

Long term loan

Loans are stated at net value received and commission on loans is charged using the effective interest rate method. Commissions on long-term loans are recorded during the period in which they are accrued.

Zakat and Income tax

Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia "the Authority." The Zakat provision for the year is included in the statement of profit or loss, and any differences between the component provision and the final assessment are recorded in the year in which the final assessment is approved.

Revenue recognition

The company recognizes revenue under IFRS 15 using the following five-step model:

- 1- Defining the contract with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights or obligations and defines the criteria that must be met.
- 2- Defining performance obligations in the contract: A performance obligation is a promise with a customer to transfer a good or provide a service.
- 3- Determining the transaction price: the transaction price is the amount of consideration that the company expects to achieve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties.
- 4- Allocate a price to the transaction: performance obligations in the contract: for a contract that contains more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that determines the amount of consideration that the company takes, specifying the amount of consideration that the company expects to receive in exchange for fulfilment with all commitment.
- 5- Recognize revenue when (as) the entity satisfies the performance obligation.

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022

5 -Significant accounting policies (continued)

Revenue recognition (continued)

Revenue is recognized when the performance obligations are fulfilled and that is when the service is provided to the customer. Performance commitment is a promise to provide service to the customer. Upon fulfillment of performance obligations, revenue is recorded at the fair value of the benefit provided, and any amounts collected on behalf of any external parties and any price discounts are excluded from the service price.

If the service invoice to the customer includes certain different services, the invoice price is distributed proportionally, and the revenue of the services is realized upon fulfilling the performance obligations and providing the service to the customer. The company provides its services directly and is not considered an agent for any other parties.

Properties' sales revenue

Revenue from the sale of properties under development is recognized when the significant risks and rewards have passed under a statutory title deed or a statutory declaration of ownership by the buyer, and when the consideration is likely to be collected and the amount of revenue can be measured reliably. The cost of revenue will depend on the estimated total cost of the land site on the total land area of a specific development.

Rental revenues

The Fund is the lessor in the various operating leases. The rental income arising from the operating leases of investment properties is accounted for using the straight-line method over the lease term and is included in the initial condensed consolidated statement of profit or loss. The accrued income is recognized to the extent that it is Revenue recognized but not yet invoiced.

Other revenues

Other revenue is recognized on the accrual basis

Expenses

Expenses are recognized on an accrual basis, and the fund management and custody fees are charged at a ratio agreed upon with the fund manager. These expenses are calculated quarterly and these expenses are charged to the condensed consolidated interim statement of profit or loss.

Loans costs

Loans costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a significant period of time to be ready for their expected use or sale, are added to the cost of those assets until they are substantially ready for use or sale.

Investment income earned on the temporary investment of specific loans until they are spent on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the interim condensed consolidated statement of profit or loss in the period in which they are incurred.

Foreign currencies

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated at the exchange rates prevailing at year end. Gains and losses from settlement and translation of foreign currency transactions are included in the other comprehensive income.

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

6 -Right of use assets, net and lease obligations

A. This item consists of the following:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Cost		
Balance, beginning of the period/year	7,553,345	7,491,726
Adjustments during the period/year	-	61,619
Balance, ending of the period/year	7,553,345	7,553,345
Accumulated depreciation		
Balance, beginning of the period/year	3,298,898	2,244,945
Charged for the year	317,502	1,053,953
Balance, ending of the period/year	3,616,400	3,298,898
Net book value		
Balance, ending of the period/year	3,936,945	4,254,447

B. Lease obligations as at 30 June/31 December are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Lease obligations – non-current portion	4,121,101	4,391,180
Lease obligations – current portion	375,000	325,000

C. The right to use assets represents real estate acquired under finance leases.

D. The total financing cost for the period ended June 30, 2022 is SR 154,921 (31 December 2021: SR 345,252).

7 -Benefits contacts, net

A. The Fund has an agreement to transfer the benefit contracts concluded with Zawya Al Ma'athar Company on March 15, 2017, so that it becomes effective on August 15, 2017. The benefit contracts consist of the following:

- Al Rabie Benefit: It is represented in a commercial property located on King Abdulaziz Road in Al Rabie District in Riyadh. The cost of purchasing the benefit is SAR 1,483,659 and it is amortized over 5 years, noting that the benefit has expired on November 5, 2021.
- Al-Quds Benefit: represented in an office commercial property located on King Abdullah Bin Abdulaziz Road in Al-Quds District in Riyadh. The cost of purchasing the benefit is SAR 2,243,693 and it is amortized over 10 years.
- Wadi Laban benefit: It is represented in a residential commercial property located in Al Shafa Road in the Dhahrat Laban district in the city of Riyadh. The cost of purchasing the benefit is SAR 1,375,978 and it is amortized over 10 years.
- Aldabab benefit: It is represented in a commercial office property located in Imam Abdullah bin Faisal Road in the Al-Murabba neighborhood in the city of Riyadh. The cost of purchasing the benefit is SAR 5,927,493 and is amortized over 15 years.

B. The movement of benefit contracts as at 30 June/31 December are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	6,064,973	7,164,413
Amortization charged during the period/year	(397,041)	(1,099,440)
Impairment	(945,150)	(945,150)
Balance, ending of the period/year	4,722,782	5,119,823

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

7 -Benefits contracts, net (continued)

C. The movement of impairment as at 30 June/31 December are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	945,150	292,667
Charged during the period/year	-	652,483
Balance, ending of the period/year	945,150	945,150

8 -Capital work in progress

The movement of capital work in progress as at 30 June/31 December are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	23,661,502	14,580,305
Additions during the period/year	1,854,020	9,081,197
Transferred to investment properties during the period/year	(25,515,522)	-
Balance, ending of the period/year	-	23,661,502

9 -Investment properties, net

A. This item consists of the following:

	Lands	Buildings	Furniture and fixtures	Total
<u>Cost</u>				
Balance as at 1 January 2022	321,188,708	346,400,356	9,164,984	676,754,048
Additions during the period	10,200,000	91,809,400	34,231	102,043,631
Transferred from capital work in progress	-	25,515,522	-	25,515,522
Balance as at 30 June 2022	331,388,708	463,725,278	9,199,215	804,313,201
<u>Accumulated depreciation</u>				
Balance as at 1 January 2022	-	48,389,407	5,839,467	54,228,874
Charged for the period	-	7,367,132	686,686	8,053,818
Balance as at 30 June 2022	-	55,756,539	6,526,153	62,282,692
Impairment - b	(37,175,879)	(19,987,501)	(388,099)	(57,551,479)
Net book value				
Balance as at 30 June 2022 (unaudited)	294,212,829	387,981,238	2,284,963	684,479,030
<u>Cost</u>				
Balance as at 1 January 2021	321,188,708	345,010,729	9,050,898	675,250,335
Additions during the period	-	1,389,627	114,086	1,503,713
Balance as at 31 December 2021	321,188,708	346,400,356	9,164,984	676,754,048
<u>Accumulated depreciation</u>				
Balance as at 1 January 2021	-	36,497,989	4,469,822	40,967,811
Charged for the period	-	11,891,418	1,369,645	13,261,063
Balance as at 31 December 2022	-	48,389,407	5,839,467	54,228,874
Impairment - b	(36,024,465)	(19,692,419)	(388,099)	(56,104,983)
Net book value				
Balance as at 31 December 2022 (audited)	285,164,243	278,318,530	2,937,418	566,420,191

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

9 - Investment properties, net (continued)

B. The movement of impairment as at 30 June/31 December:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	56,104,983	44,489,707
Charged during the period/year	1,446,496	11,615,276
Balance, ending of the period/year	57,551,479	56,104,983

- Investment properties are carried at historical cost less accumulated depreciation and any impairment losses, if any. The fair value of investment properties was determined on the basis of the average of two market value evaluations carried out by independent valuation experts. These values, which are based on the estimates of independent valuation experts, are subject to estimation uncertainty.
- The cost of mortgaged properties in favor of local banks as collateral against Islamic facilities amounted to 365,356,315 Saudi riyals (December 31, 2021: 276,912,452 Saudi riyals).

10 - Effect of net assets value, if investment properties and benefit contracts are measured at fair value
 According to Article (22) of the Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the fund manager must evaluate the fund's assets based on the average of two evaluation processes prepared by independent certified valuation experts. As of June 30, 2022, the fair value of the real estate Investment and benefits contracts 768,479,500 SAR (December 31, 2021: 655,948,388 SAR), based on the average evaluation of two independent certified assessors. Investment properties and benefits contracts were evaluated as on June 30, 2022 by the Saudi Assets Valuation company and the White Cubes Valuation Services Office approved by the Saudi Authority for Accredited Valuers. The valuation date between a willing buyer and a willing seller in a neutral-basis transaction after proper marketing whereby each party will act knowingly and prudently (without coercion or compulsion) to value investment properties and utility contracts.

A. Effect of net assets value if investment properties measured at fair value:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Fair value of investment properties and benefits contracts	768,497,500	655,948,388
Deduct: book value of investment properties (note 9) *	(684,479,030)	(566,420,191)
Deduct: book value of benefits contracts (note 7) *	(4,722,782)	(5,119,823)
Deduct: capital work in progress (note 8) *	-	(23,661,502)
Unrealized gains on basis of fair value	79,295,688	60,746,872
Issued units (number)	61,370,000	61,370,000
Fair value attributable to unit	1.29	0.99

* The net asset value was calculated in the case of evaluating investment properties at fair value according to the cost of the lands and buildings built on them, as the lands and buildings built on them were evaluated by the evaluators.

B. The following is an analysis of the net asset value using the fair value of investment properties and benefits contracts as on June 30, 2022 / December 31, 2021:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Net assets cost value shown in this condensed consolidated interim financial statements	508,279,737	533,851,202
Unrealized gains on basis of fair value	79,295,688	60,746,872
Net assets fair value	587,575,425	594,598,074

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For the six - month period ended June 30, 2022
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10 - Effect of net assets value, if investment properties and benefit contracts are measured at fair value (continued)

C. The following is a statement of the net asset value of the unit using the fair value of investment properties and benefits contracts as on June 30, 2022 / December 31, 2021:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets' book value attributable to unit	8.28	8.70
Effect on the net asset value of the unit due to unrealized gains determined on the basis of fair value (A,B)	1.29	0.99
	<u>9.57</u>	<u>9.69</u>

11 - Account receivables, net

A. This item consists of the following:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Account receivables	25,799,466	16,726,282
Provision of expected credit losses - B	(11,594,667)	(11,594,667)
	<u>14,204,799</u>	<u>5,131,615</u>

B. The movement of expected credit losses provision as of 30 June 2022 / 31 December 2021 is as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	11,594,667	12,431,044
Reversal of provision during the period/year	-	(836,377)
	<u>11,594,667</u>	<u>11,594,667</u>

12 - Prepaid expenses and other assets

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Value added tax	5,111,290	881,614
Operational imprest	63,366	29,876
Advance payment to vendors	8,625	2,594,525
Commission gains accrued	5,249	54,500
Others	1,249,443	496,045
	<u>6,437,973</u>	<u>4,056,560</u>

13 - Cash and cash equivalents

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Cash at banks	8,016,349	17,387,387
Islamic murabahat*	13,000,000	34,000,000
	<u>21,016,349</u>	<u>51,387,387</u>

* Represents the amount of Islamic Murabaha with the National Bank of Saudi Arabia. The time deposits are for periods ranging between one day and three months of which gain is generated. The deposit is made for a period ranging from one day to three months and a special commission is realized for it.

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

14 - Islamic murabahat

- During the year 2019, the Fund obtained an Islamic financing facility amounting to 21.9 million Saudi riyals from Al-Rajhi Bank to finance the purchase of Tolan real estate in the city of Al-Khobar, The Fund transferred the deed's ownership of Muhammadiyah property in favor of Al-Rajhi banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2024.
- During the year 2020, the Fund obtained an Islamic financing facility of 63.5 million Saudi riyals from Al Rajhi Bank to finance the purchase of Al Nokhba and Al Salam schools in Riyadh, The Fund transferred the deed's ownership of Al-Sahafa 1 and Al-Sahafa 2 properties in favor of Al-Rajhi Banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2025.
- During the year 2021, the Fund obtained an Islamic financing facility of 10.02 million Saudi riyals from Al-Rajhi Bank to finance the purchase of capital work in progress "Salaam Schools" in Al-Riya, The Fund transferred the deed's ownership of Al Rabie Genx and Al Takhassusi Gallery property in favor of Al Rajhi Banking and Investment Company as a guarantee against the Islamic financing facility, and the loan will be paid in full in 2026.
- At January 25, 2022, the Fund obtained an Islamic financing facility in the amount of 101 million Saudi riyals from Al Rajhi Bank to finance the purchase of the real estate. These facilities carry commissions according to the prevailing prices in the local market. These facilities are granted against the mortgage of certain properties of the Fund.

The movement of Islamic murabahat as at 30 June/31 December are as follows:

	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Balance, beginning of the period/year	95,568,771	85,548,771
Received during the period/year	101,000,000	10,020,000
Total of Islamic murabahat	196,568,771	95,568,771
Added: accrued commissions	8,973,306	5,979,523
Balance, ending of the period/year	205,543,077	101,548,294

- Total interest expenses of the period SAR 2,994,783 (30 June 2021: SAR 1,109,819), interest was capitalized in the amount of SAR 297,579 on capital work in progress (30 June 2021: SAR 531,058)

15 - Due to related parties

There are transactions made during the period with related parties within the Fund's normal business and with management's approval, and management considers that the terms of such transactions are not materially different from any other transactions that the Fund makes with any third party, consisting of:

A. The balances due to related parties as at 30 June/31 December are as follows:

Related party	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Osool & Bakheet Investment Company	959,816	1,008,263
Albilad capital company	75,227	77,885
Board of directors members	18,000	48,000
	1,053,043	1,134,148

Notes to the condensed consolidated interim financial statements (unaudited)
For the six - month period ended June 30, 2022
 (By Saudi Riyal)

15 - Due to related parties (continued)

B. The material transactions with the related parties are as follows:

Related party	Nature of relation	Type of transactions	Transaction amount	
			June 30, 2022 (unaudited)	December 31, 2021 (audited)
		Management fees	1,910,155	3,309,364
Osool & Bakheet investment company	Fund Manager	Transaction fees	1,027,904	-
Albilad capital company	Custodian Board of Directors	Custody fees	130,111	255,718
Board of Directors	Directors	Remuneration	18,000	48,000

- The Fund Manager charges the Fund 0.5% annually of the Fund's net assets after deducting accrued expenses, calculated on a daily basis and paid quarterly, and the Fund manager recovers any other expenses incurred on behalf of the Fund.
- Real estate management fees, which do not exceed 5% of the total rental income collected from the related investment properties, provided that payment is made on a semi-annual basis. The Fund also bears all fees and expenses related to the Fund's activities and investments, the fund shall also bear the expenses and fees resulting from transactions and services provided by third parties such as legal and advisory services, real estate consultants and any other professional, technical services, provided that these costs shall not exceed 1% of the total value of the Fund's assets annually.

16 - Financial instruments and risk management

The financial instruments in the statement of financial position comprise mainly of bank balances, Investments at fair value through profit or loss, due to related parties and accrued expenses and other liabilities.

Credit risk

Credit risk is the risk that one party may fail to discharge an obligation and will cause the other party to incur a financial loss. The Fund is not significantly subjected to credit risk. Cash is deposited at local banks with a high credit rating.

Commission rate risk

Commission rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market commission rates in the market. The Fund has no significant assets or liabilities that are subject to commissions as at June 30, 2022.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Fund believes it is not subjected to significant currency risks as the Fund main transactions are in Saudi Riyals.

Liquidity risks

Liquidity risk is the risk that the Fund will encounter difficulty in releasing funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The fund manager monitors the liquidity required on a regular basis and seeks to ensure that sufficient funds are available to meet any commitments as they arise.

Fair value

Represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties to do on fair terms, whereas, the fund's financial instruments are shown according to the historical cost principle and it can result in differences between book value and fair value the fund management believes that the fair value of the fund's financial assets and liabilities are not materially different from their book value.

Al Maather REIT

Closed-Ended Investment Traded Funds

(Managed by Osool & Bakheet Investment Company)

Notes to the condensed consolidated interim financial statements (unaudited)**For the six - month period ended June 30, 2022**

17 - Significant matters

The global Coronavirus (COVID-19) pandemic continues to create economic and social uncertainty throughout the world. Governments and central banks globally provided unprecedented fiscal and monetary support to economies suffering lockdown restrictions. Significant progress has been made on vaccine rollouts however distribution to developing countries has been slower. The emergence of further waves and more virulent strains remains a risk. Whilst many economies have successfully reopened, the path to recovery varies widely with the financial burden of lockdown weighing heavily. In spite of the reopening of economies, economic uncertainties, which may materially affect the valuation of portfolio investments and in turn, the net asset value of the Funds prevail. The long-term effect of the aforementioned fiscal and monetary intervention remains unpredictable.

18 - Subsequent events

The management believes there were no significant subsequent events before or after the date of the Condensed consolidated Interim financial statements that may require modification or disclosure.

19 - Approval of the Condensed consolidated interim financial statements

The financial statements have been approved for issue by the Fund's board of directors on 17 Muharram 1444 (corresponding to 15 August 2022).