ALKHABEER REIT FUND - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
AND INDEPENDENT AUDITOR'S REPORT

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants
Member Crowe Global
C.R 1010466353
P.O. Box 10504 Riyadh 11443
Kingdom of Saudi Arabia
Telephone: +966 11 217 5000
Facsimile : +966 11 217 6000
Email: ch@crowe.sa
www.crowe.com/sa

INDEPENDENT AUDITORS' REPORT

To: The Unitholders
Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Opinion

We have audited the financial statements of **Alkhabeer Reit Fund (A Real Estate Investment Traded Fund) ("The Fund") managed by Alkhabeer Capital Company ("Fund Manager")**, which comprise the statement of financial position as of December 31, 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity attributable to unitholders and statement of cash flows, and the accompanying 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 December 31, 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 issued by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' 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. Below are the description of each key audit matters and how our audit procedures were addressed to these key audit matters:

Independent Auditors' Report – Continued

To: The Unitholders
Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Key Audit Matters	How our audit addressed key audit matters
Investment properties and right of use asset Impairment of Investment properties and right of use asset As at 31 December 2021, the book value of investment properties and right of use asset held by the Fund amounted to SR 1.846 million (2020: SR 1.591 million). Investment property and right of use asset is measured initially at cost including transaction costs. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investment property and right of use asset is disclosed along with its impact on net assets per unit. In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its property at each reporting date. In case such indicators are identified, the recoverable amount of such property is required to be determined. As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including but not limited to net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques. Since, the evaluation of impairment indicators and ensuing recoverable amount assessment, where required, involves the exercise of significant judgment, it has therefore been determined to be a key audit matter. Notes 7 and 8 clarify that the financial statements for significant judgements and assumptions applied in the determination of the recoverable amounts of the investment properties and right of use asset and note 3 clarify the details of related accounting policies.	Our audit procedures in response to the assessed risk of material misstatement in valuation of investment properties comprised of: ▪ Obtained an understanding of the management processes for identification, and mitigation of valuation risk. ▪ Performed test of details on the acquisition costs and ensured that all costs are appropriately capitalized. ▪ Assessed the Fund Manager's determination of the following: - The factors considered by the Fund in impairment indicator assessment, and - The base used in determine cash generating units. And it's the method used to calculate the recoverable amount. ▪ Assessed the recoverable amount assessment prepared by the Fund using valuation reports prepared by independent valuers and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal ('fair value') and value in use. ▪ Assessed the key assumptions and estimates used, including discount rate, annual rental income, operating expenditure. Checked sensitivity analysis, including assessment of the effect of reasonably possible changes in the discount rate and operating expenditures on the forecasted cash flows to evaluate the impact. ▪ Compared the recoverable amount of each cash-generating unit with its carrying value. ▪ We have reviewed the financial statement disclosure ▪ We have reviewed the disclosures of key assumptions and judgements.

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To: The Unitholders
Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed key audit matters
The Fund uses valuation reports from the independent valuer engaged by the Fund manager to evaluate the fair value of properties at the reporting date. We considered this as a Key audit matter since the valuation requires significant judgment with respect to the appropriateness of the method used, and any input inaccuracies in this judgment could result in material misstatement of the financial statements disclosure.	▪ Assessing the independence, professional qualifications, competence and experience of the Fund's independent valuers, also ensured the valuers were certified by the Saudi Authority for Accredited valuers (TAQEEM). Assistance by our property valuation specialist in this area to review the assumption used in valuing the investment properties right of use asset. ▪ Agreeing observable inputs used in the valuations, such as rental income, occupancy rates, breaks clauses and lease length back to lease agreements for a sample of properties.

Other information included in the Fund's 2021 Annual Report

Other information consists of the information included in the Fund's 2021 Annual Report, other than the financial statements and our auditor's report thereon.

Fund Board is responsible for the other information. 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 will not express any form of assurance conclusion thereon.

Responsibilities of Fund's managers and Those Charged with Governance for the Financial Statements

Fund's Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment Funds regulation issued by the Capital Market Authority and the Funds terms and conditions and information memorandum, and for such internal control as Fund's Manager determine 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, Fund's 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 Fund's Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Fund's Manager) is responsible for overseeing the Fund's financial reporting process.

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Independent Auditors' Report - Continued

To: The Unitholders
Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Fund's Manager.

- Conclude on the appropriateness of Fund's 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 auditors' 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 auditors' report. However, future events or conditions may cause the 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.

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Independent Auditors' Report - Continued

To The Unitholders
Alkhabeer Reit Fund - Expressed in Saudi Riyals
(Managed by Alkhabeer Capital Company)
Jeddah, Saudi Arabia

Auditors' Responsibilities for the Audit of the Financial Statements – Continued

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

We also provide those charged with governance with a statement that we have 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 for the current period 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.

العظم والسديري وآل الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No 323/11/148
ترخيص رقم ١٤٨/١١/٣٢٣
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants

Salman B. AlSudairy
License No. (283)

25 Sha'aban 1443H (March 28, 2022)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Notes	**As at December 31, 2021**	As at December 31, 2020
ASSETS			
Cash at Banks		**50,968,681**	44,108,858
Account Receivables	4	**21,981,126**	35,693,221
Prepaid expenses and other debit balances	5	**14,984,081**	7,278,317
Due from a related party	6	**18,781**	19,266
Right of use asset	7	**150,191,103**	159,312,565
Investment properties	8	**1,695,495,117**	1,431,786,190
Total Assets		**1,933,638,889**	1,678,198,417
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
LIABILITIES			
Credit facilities	9	**745,921,994**	746,053,038
Due to related parties	6	**5,644,519**	5,865,852
Lease liabilities	7	**16,379,505**	17,101,709
Accrued expenses and other liabilities	10	**68,867,115**	53,023,595
Total Liabilities		**836,813,133**	822,044,194
EQUITY ATTRIBUTABLE TO UNITHOLDERS		**1,096,825,756**	856,154,223
Total Liabilities and Equity		**1,933,638,889**	1,678,198,417
Number of units issued (unit)		**141,008,848**	102,971,013
Equity per unit – book value	8	**7.7784**	8.3145
Equity per unit – fair value	8	**8.3484**	8.7092

The accompanying notes from (1) to (22) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Notes	**FOR THE YEAR ENDED DECEMBER 31** **2021**	2020
Rental income		**117,778,571**	88,230,559
Expenses			
Properties / Facilities management fees	12	**(7,071,509)**	(3,735,906)
Administration and custody fees	6,12	**(702,018)**	(507,386)
Management fees	6,12	**(7,709,674)**	(5,633,442)
Finance costs		**(30,031,243)**	(19,756,439)
Depreciation of investment properties and right of use asset	7,8	**(39,947,316)**	(27,299,040)
(Impairment) / Reversal of impairment of investment properties	8	**(41,136,021)**	1,939,099
Provision for expected credit losses	4	**(20,500,000)**	(13,858,672)
Other expenses	11	**(4,511,800)**	(18,249,195)
Total expenses		**(151,609,581)**	(87,100,981)
(Loss) / Profit for the year		**(33,831,010)**	1,129,578
Other comprehensive income		**-**	-
Total other comprehensive (loss) / income for the year		**(33,831,010)**	1,129,578

The accompanying notes from (1) to (22) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Note	FOR THE YEAR ENDED DECEMBER 31	
		2021	2020
Equity Attributable to Unitholders			
Equity attributable to unitholders at the beginning of the year		**856,154,223**	571,745,229
Cash subscriptions with a nominal value of 10 riyals for each unit		**157,365,000**	37,956,770
Subscriptions issued against investment properties		**223,013,350**	327,329,500
Discount on issuance of underwriting units		**(44,880,842)**	(39,984,248)
Dividends	14	**(60,994,965)**	(42,022,606)
Total comprehensive (Loss) / income for the year		**(33,831,010)**	1,129,578
Equity attributable to unitholders at the end of the year		**1,096,825,756**	856,154,223

Transactions in units for the year are summarized as follows:

	2021	2020
Number of units at the beginning of the year	**102,971,013**	66,442,386
Subscription of units - Cash	**15,736,500**	3,795,677
Subscription of units - In kind contribution	**22,301,335**	32,732,950
Number of units at the end of the year	**141,008,848**	102,971,013

The accompanying notes from (1) to (22) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	FOR THE YEAR ENDED DECEMBER 31	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
(loss) / Profit for the year	**(33,831,010)**	1,129,578
Adjustment for:		
Depreciation of investment properties and right-of-use asset	**39,947,316**	27,299,040
Impairment / (Reversal of impairment) of investment properties	**41,136,021**	(1,939,099)
Finance cost charged on lease liabilities	**856,796**	971,485
Finance cost	**29,174,447**	18,784,954
Expected credit losses	**20,500,000**	13,858,672
Changes in operating assets and liabilities:		
Due from a related party	**485**	734
Account receivables	**(13,762,905)**	(28,535,650)
Prepaid expenses and other debit balances	**(7,705,764)**	(3,757,708)
Due to related parties	**(221,333)**	3,107,055
Accrued expenses and other liabilities	**15,294,939**	35,675,719
Net cash provided by operating activities	**91,388,992**	66,594,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment properties	**(138,312,470)**	(417,562,705)
Addition to right-of-use asset	**(658,327)**	-
Net cash used in investing activities	**(138,970,797)**	(417,562,705)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in credit facilities	**(131,044)**	397,499,999
Issuance of cash subscriptions	**138,797,503**	33,802,022
Dividends	**(54,019,965)**	(37,140,106)
Lease payments	**(1,579,000)**	(1,579,000)
Finance cost paid	**(28,625,866)**	(16,774,688)
Net cash provided by financing activities	**54,441,628**	375,808,227
Net change in cash at banks	**6,859,823**	24,840,302
Cash at banks at the beginning of the year	**44,108,858**	19,268,556
Cash at Banks at the End of the year	**50,968,681**	44,108,858
Non cash Items:		
Subscription issued against investment properties	**196,700,005**	291,500,000
Dividends by writing off receivables for unitholders	**6,975,000**	4,882,500

The accompanying notes from (1) to (22) form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

Alkhabeer REIR Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund, established in accordance in the rules and regulations enforced in KSA as wellas under the guidelines of CMA. The Fund has been established on 16 December 2018 and managed by Alkhabeer Capital (Alkhabeer "Capital" or the "Fund Manager"), for the benefit of the Fund's unitholders. The Fund is listed on the Saudi Stock Exchange (Tadawul). The Fund is ultimately supervised by the Fund Board. Alinma Investment Company acts as the Custodian of the Fund.

The Fund's main investment objective is to generate rental income yield and periodic cash distributions of not less than 90% of the Fund's annual net profits, by investing not less than 75 % of the Funds total assets, according to its last audited financial statements, in income generating real estate assets in the Kingdom of Saudi Arabia excluding Makkah and Medina.

The terms and conditions of the Fund were approved by the Capital Market Authority (the "CMA") on 16 October 2018 (8 Safar 1440H). The offering period for the subscription of the units was from 11 November 2018 to 29 November 2018. The Fund commenced its activities on 16 December 2018. The Fund was listed on Tadawul on 20 March 2019.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered owners of the assets of the Fund and distributions may be made in relation to their respective ownership in the total number of outstanding units.

The Fund's term is ninety-nine (99) years following the date of listing units on Tadawul The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Boards guidelines in its investments and transactions. The books and records of the Fund are maintained in Saudi Riyals (SR), which represents the functional and presentation currency of the Fund.

2. Regulatory authority

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA on 19 Jumada al-Alkhirah 1427H (corresponding to 15 July 2006) thereafter amended on 12 Rajab 1442H (corresponding to 24 February 2021), detailing requirements for all types of funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

These financial statements of the Fund have been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption. The fund does not have an operating cycle that can be clearly defined. Therefore, current and non-current assets and liabilities are not displayed in the statement of financial position, and the values of assets and liabilities are presented according to liquidity and classified as a current.

Reporting currency

The accompanying financial statements are presented in Saudi Riyals, which is the Fund's functional and presentation currency.

Fair value measurement

The fair value represents the amount that may be collected from selling an asset or paying it to transfer a liability between informed parties under the same terms of business with others. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a primary market, or
- Use discounted cash flows in the absence of a major market or the most advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and notes that require calculating the fair value of financial and non-financial assets and liabilities.
- The Fund uses market inputs that are observable as far as possible when measuring the fair value of assets and liabilities.

The Fund determines fair value using valuation techniques. The Fund also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1**: quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2**: valuation methods based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3**: valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

The Fund recognizes transfers between fair value levels at the end of the reporting period at the same time as the change occurs, the Fund' manager believes that its estimates and assumptions are reasonable and sufficient.

Changes in accounting policies

A) New standards, amendments to standards and interpretations

The Fund has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.:

Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2022 and earlier application is permitted; however, the Fund has not early adopted them in preparing these Consolidated Financial Statements.

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 3, IAS 16, IAS 37

In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Amendments to IAS 1, Practice statement 2 and IAS 8

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

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents includes banks balances, deposits held at call with banks with a maturity of three months, which are subject to an insignificant risk of changes in value.

INVESTMENT PROPERTIES

Investment property is property held either to earn rental income or for capital appreciation, or both, but not for sale in the normal course of business or in use in the production, supply of goods, provision of services, or administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Investment properties are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replacing parts of investment properties and borrowing costs related to long-term construction projects, if the evidentiary criteria are met. When it is necessary to replace significant parts of investment properties in stages, the Fund recognizes such parts as separate assets with definite useful lives and depreciated accordingly. All repair and maintenance costs are recognized in the consolidated statement of profit or loss when incurred.

Investment properties are derecognised either when they are disposed of (ie when control is transferred to the receiving entity) or they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of profit or loss in the period in which the derecognition is discontinued. The amount of consideration to be included in the gain or loss on derecognition of investment properties is determined in accordance with the requirements for determining the transaction price in IFRS 15 - Revenue from Contracts with Customers.

Transfers are made to (from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the assumed cost for subsequent accounting is the fair value at the date of change in use.

When owner-occupied properties become investment properties, the Fund accounts for such properties in accordance with the policies applicable to property, plant and equipment up to the date of the change in use.

The following are the estimated useful life for major fixed assets items

Item	**Useful life**
Buildings	40 years

Lands are not depreciated.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest 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 withdrawn. In this case, the fee is deferred until the withdrawn occurs.

To the extent that there is no evidence that it is probable that some or all of the facility will be withdrawn, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

IAS 23, Borrowing cost requires any incremental transaction cost to be amortized using the Effective Interest Rate (EIR). The Company accounts for finance cost (Interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. Borrowing cost incurred for any qualifying assets are capitalized as part of the cost of the asset.

Accrued expenses and other payable

Liabilities are recognized for the amount to be paid in the future for services received, whether billed by the supplier or not.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Fund uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
Interest rate swaps are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Offsetting

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis, and to realize the asset and liability simultaneously.

Expenses

All expenses are classified as operating expenses unless another classification is consistent with the nature of the item of expense and circumstances of the Fund.

Revenue recognition

Revenue includes rental income from investment properties.

The Fund records the rent resulting from the lease contracts using the straight-line method. After initiation of the lease, the fund recognizes variable lease payments that are not based on a specific index or rate (payments based on performance or usage, for example) when earned. for rental income.

The contracts include a fixed price, and the customer pays this amount based on the payment schedule. If the services provided by the fund exceed the amount paid, an accrued rental income is proven, but if the payments exceed the provided service, an undue rental income is proven.

Revenue is measured at the transaction price agreed upon under the contract. The disclosed amounts appear as revenue after deducting the variable consideration and payments to customers, which are not for distinct services. This consideration may include discounts, trade allowances, discounts and amounts collected on behalf of third parties.

Receivables are recognized when services are rendered because this is the point in time at which the consideration is unconditional because the passage of time is only necessary before payment is due.

Right-of-use asset

The Fund recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term which is 18 years.

Provisions and Contingent Liabilities

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

Lease liabilities

At the commencement date of the lease, the Fund recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Fund uses the internal cost of funds as the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

A Fundamental judgment in determining the lease term of the contracts with the option to renewal

The Fund determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised

Finance costs

Finance cost is recognized in the statement of profit or loss and other comprehensive income for all special commission-bearing financial instruments using the effective special commission method.

Trade receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Dividend

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board.

Value added tax

Revenues, expenses and assets are recognized after deducting value added tax ("VAT") except:

- When the value added tax incurred when purchasing assets or services is not recoverable from the tax authority, in which case the value added tax is recognized as part of the cost of acquiring the asset or as part of the expense item as applicable.
- Receivables and payables mentioned showing the amount of VAT included.

The net amount of VAT that is recoverable from the Authority or payable is included as part of accounts receivable or payable in the statement of financial position.

Taxation and zakat

Taxation and zakat are the obligation of the unitholders and therefore, no provision for such liability is made in the financial statements.

Net equity of the unit

The net equity of the unit is calculated and disclosed in the financial position by dividing the net assets of the Fund belonging to unit holders by the number of issued units.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

A financial asset includes the followings:

a) Cash and equivalents
b) Equity instruments in another entity
c) A contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another entity under conditions are potentially favorable to the entity.
d) A contract that may or will be settled at entity's owned equity instruments.

Classification and initial recognition

The Fund classifies its financial assets in the following measuring categories:

- Those to be measured subsequently at fair value (either through profit or loss, or through other comprehensive income), and
- Those to be measured at amortized cost.

Classification depends on the business model of the Fund to manage financial assets, and on the contractual terms of cash flows.

For assets measured at fair value, gain and losses will either be recorded in statement of profit or loss and other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which investment is held. For investment in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Fund measures a financial asset at its fair value, in the case of financial asset not at fair value through profit or loss, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

Subsequent measurements

Equity instruments

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains or losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are treated separately within the net of assets.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gain / (losses) in the statement of profit and loss as applicable.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classified its debt instruments:

- **Amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in statement of profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- **Fair value through other comprehensive income (FVOCI)**

Assets that are held for collection of contractual cash flows and for selling the financial assets, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to retained earnings. Realized gains / loss are recognized in profit or loss.

- **Fair value through statement of profit or loss**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through statement of profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through statement of profit or loss. And is not part of a hedging relationship is recognized in statement of profit or loss and presented net in the statement of profit or loss within other gains / (losses) in the year in which it arises. Interest income from these financial assets is included as financial benefit in profits or losses.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment

The Fund assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

A financial liability is classified as follows:

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

Recognition and measurement

All financial liabilities are recognized initially at fair value. Subsequently, it is measured at amortized cost using effective interest rate methods. The Fund's financial liabilities include accrued expenses and other liabilities and due to a related party.

Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statements of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derecognition of financial assets

The Fund derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The Funds' obligations are derecognized only if relieved, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the profit and loss.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value measurement of financial instruments

When the fairs value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to the factors could affect the reported fair value of financial instruments.

Provision for expected credit losses on receivables against operating leases

The Fund uses a provision matrix to calculate ECLS of receivable from operating leases. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, Inflation rate and governmental spending) is expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecasted economic conditions. The Fund's historical credit loss experience and forecast of economic corrditions may also not be representative of the customer's actual default in the future.

The useful lives of investment properties

The Fund manager determines the useful lives of investment properties in order to calculate depreciation. This estimate is determined after considering expected usage of the assets, and physical wear and tear. The Fund manager reviews the residual value and useful lives annually and makes the necessary changes in current and future periods.

Impairment of investment properties

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its net cost to sell or value in use. For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit 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 investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss.

(Expressed in Saudi Riyals)

Impairment of non-financial assets

Assets subject to depreciation and amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount that exceeds the carrying amount of the asset over its recoverable amount. Recoverable value is the fair value of the asset less costs to sell or value in use (whichever is higher). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate cash flows (cash-generating units). Prior impairment in non-financial assets (other than goodwill) are reviewed to reflect the potential impairment at each reporting date.

An impairment loss recognized in prior periods is evaluated at each reporting date to determine whether there are indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of depreciation or amortization, had the impairment loss not been recognized previously.

4. ACCOUNT RECEIVABLES

	2021	2020
Accounts receivable	**56,981,126**	50,193,221
Expected credit losses	**(35,000,000)**	(14,500,000)
	21,981,126	35,693,221

The movement in the provision for Expected credit losses during the year is as follows:

	2021	2020
Balance at the beginning of the year	**14,500,000**	641,328
Charged for the year	**20,500,000**	13,858,672
	35,000,000	14,500,000

The Ageing analysis of accounts receivables as follows:

	2021	2020
Up to 90 days	**655,293**	10,187,894
90 - 180 days	**5,863,018**	7,067,820
181 - 365 days	**6,387,570**	14,133,489
More than 365 days	**44,075,245**	18,804,018
	56,981,126	50,193,221

(Expressed in Saudi Riyals)

5. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2021	2020
Value add tax deposits	**8,689,493**	6,469,214
Prepaid property manager fees	**554,438**	-
Prepaid development cost of properties	**234,277**	487,516
Prepaid expense	**331,051**	71,587
Other	**5,174,822**	250,000
	14,984,081	7,278,317

6. RELATED PARTIES TRANSACTIONS AND BALANCES

Transactions with related parties represent payments on behalf of a related party, administrative fees, management fees, custody fees and compensation to the fund's independent directors.

a) Due from a related party comprises the following:

		Amount of transaction for the year ended December 31		Balance as at December 31	
Related party	**Nature of transaction**	**2021**	2020	**2021**	2020
Awal Al malga Real Estate Company	Expenses paid on behalf	**(485)**	(734)	**18,781**	19,266
				18,781	19,266

Alkhabeer Capital Company established Awal Al Malqa Real Estate Company as a limited liability company ("a special purpose vehicle") registered under Commercial Registration No. 1010893802 on Shawwal 19, 1438 AH (corresponding to July 13, 2017 AD) for the purpose of keeping and registering investments properties related to real estate funds in the name of the company. The fund provided an amount of 20,000 Saudi riyals as the company's capital.

The title deed of real-estate was registered in the name of Awal Al-Malqa Real Estate Company. The Company confirmed that it owns these properties on behalf of the fund. As the fund is the beneficial owner of these real estate, they have been recorded in the fund's financial statements.

(Expressed in Saudi Riyals)

b) Due to related parties comprises the following:

Related party	Nature of transaction	Amount of transaction for the year ended December 31 2021	2020	Balance as at December 31 2021	2020
Alkhabeer Capital (Fund Manager)	Expenses paid on behalf of the Fund	**8,675,025**	26,940,469	**525,500**	525,500
	Management fees	**7,709,674**	5,633,442	**4,482,572**	4,673,467
	Administration fees	**256,990**	187,985	**149,419**	113,484
Alinma Investment Company	Custody Fees	**445,028**	319,401	**445,028**	519,401
Fund Board	Aggregate compensation to Independent Fund Board Members	**42,000**	42,438	**42,000**	34,000
				5,644,519	5,865,852

c) All transactions with related parties are approved by the Fund manager.

7. LEASES

a) Right-of-use asset

The movement in right to use assets is as follow:

	2021	2020
Balance at the beginning of the year	**159,312,565**	169,066,397
Additions for development cost	**658,327**	-
Depreciation during the year	**(9,779,789)**	(9,753,832)
Net book value	**150,191,103**	159,312,565

The main assumptions used in determining the fair value of right of use asset are as follows:

Property Name	**Property type**	**Valuation Method**	**Discount Rate**	**Fair Value as at December 31, 2021**	Fair Value as at December 31, 2020
Gallery Mall	Commercial	Income approach	9.5% - 12%	**168,597,000**	161,234,500

(Expressed in Saudi Riyals)

b) Lease liability

The movement in lease liability is as follow:

	2021	2020
Balance at the beginning of the year	**17,101,709**	17,709,224
Paid during the year	**(1,579,000)**	(1,579,000)
Interest charged during the year	**856,796**	971,485
Total lease liability at the end of the year	**16,379,505**	17,101,709

Lease liability is as follows:

	2021	2020
For a year	**1,165,321**	1,363,610
For more than a year	**15,214,184**	15,738,099
Total lease liability	**16,379,505**	17,101,709

The weighted average incremental borrowing rate applied to lease liabilities was 5.01%. Total finance cost on lease liabilities for the year on December 31, 2021 amounted to 856,796 SAR (for the year on December 31, 2020: SAR 971,485).

Right of use asset represents a lease obligation of the Gallery Mall under a lease contract and payment made in advance over the terms of the contract.

8. INVESTMENT PROPERTIES

a) The investments properties owned by the Fund consist of the following:

	2021	2020
Residential and commercial real estate investments	**1,523,807,500**	817,582,500
Acquisition of investments properties	**334,237,500**	706,225,000
Development costs	**3,612,680**	2,837,705
Accumulated depreciation	**(59,699,570)**	(29,532,043)
Impairment	**(106,462,993)**	(65,326,972)
	1,695,495,117	1,431,786,190

b) The movement in the impairment of investments properties is as follows:

	2021	2020
Balance at the beginning of the year	**65,326,972**	67,266,071
Impairment / (Reversal of impairment)	**41,136,021**	(1,939,099)
	106,462,993	65,326,972

(Expressed in Saudi Riyals)

c) The details of the movement in investments properties related to the fund are as follows:

2021:	**Lands***	**Residential and commercial properties***	**December 31, 2021**
Cost:			
Balance at January 1, 2021	**455,700,260**	**1,070,944,945**	**1,526,645,205**
Additions during the year	**64,275,282**	**270,737,193**	**335,012,475**
Balance at December 31, 2021	**519,975,542**	**1,341,682,138**	**1,861,657,680**
Accumulated depreciation:			
Balance at January 1, 2021	**-**	**29,532,043**	**29,532,043**
Charge for the year	**-**	**30,167,527**	**30,167,527**
Balance at December 31, 2021	**-**	**59,699,570**	**59,699,570**
Net book value as of December 31, 2021	**519,975,542**	**1,281,982,568**	**1,801,958,110**
Impairment			**(106,462,993)**
Balance at December 31, 2021	**519,975,542**	**1,281,982,568**	**1,695,495,117**

2020:	Lands*	Residential and commercial properties	December 31, 2020
Cost:			
Balance at January 1, 2020	300,991,760	516,590,740	817,582,500
Additions during the year	154,708,500	554,354,205	709,062,705
Balance at December 31, 2020	455,700,260	1,070,944,945	1,526,645,205
Accumulated depreciation:			
Balance at January 1, 2020	-	11,986,835	11,986,835
Charge for the year	-	17,545,208	17,545,208
Balance at December 31, 2020	-	29,532,043	29,532,043
Net book value as of December 31, 2020	455,700,260	1,041,412,902	1,497,113,162
Impairment			(65,326,972)
Balance at December 31, 2020	455,700,260	1,041,412,902	1,431,786,190

* The Properties and lands are pledged with a local bank under a credit facility agreement except for the Akun warehouses.

(Expressed in Saudi Riyals)

d) The details of the Investment properties are as follows:

December 31, 2021

Property name	Type	Location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	**Retail**	**Riyadh**	**79,950,000**	**(1,796,250)**	**(15,559,750)**	**62,594,000**	**62,594,000**
Palazzo Center	**Retail**	**Riyadh**	**95,632,500**	**(3,542,439)**	**(22,925,061)**	**69,165,000**	**69,165,000**
Al-Malqa complex	**Residential**	**Riyadh**	**317,612,680**	**(19,304,861)**	**(38,457,819)**	**259,850,000**	**259,850,000**
Elite Center	**Multiple**	**Jeddah**	**164,000,000**	**(7,863,569)**	**(7,516,431)**	**148,620,000**	**148,620,000**
Ahlan Court Center	**Retail**	**Jeddah**	**71,750,000**	**(1,115,680)**	**(5,769,320)**	**64,865,000**	**64,865,000**
Bin 2 Center	**Multiple**	**Jeddah**	**92,250,000**	**(4,318,360)**	**(1,716,640)**	**86,215,000**	**86,215,000**
Vision Colleges (formerly known as Al-Farabi Colleges)	**Educational**	**Riyadh**	**215,250,000**	**(6,038,600)**	**-**	**209,211,400**	**211,665,000**
The training building for Vision Colleges (formerly known as Al-Farabi Colleges)	**Educational**	**Riyadh**	**66,625,000**	**(1,332,533)**	**-**	**65,292,467**	**71,160,000**
Elegance Tower	**Offices**	**Riyadh**	**424,350,000**	**(11,012,750)**	**-**	**413,337,250**	**466,980,500**
Vision Colleges - Jeddah	**Educational**	**Jeddah**	**107,500,000**	**(1,173,865)**	**(8,326,135)**	**98,000,000**	**98,000,000**
Akun warehouses	**Logistics**	**Jeddah**	**226,737,500**	**(2,200,663)**	**(6,191,837)**	**218,345,000**	**218,345,000**
			1,861,657,680	**(59,699,570)**	**(106,462,993)**	**1,695,495,117**	**1,757,459,500**

December 31, 2020

Property name	Type	Location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	Retail	Riyadh	79,950,000	(1,197,500)	(37,500)	78,715,000	78,715,000
Palazzo Center	Retail	Riyadh	95,632,500	(2,361,625)	(8,965,875)	84,305,000	84,305,000
Al-Malqa complex	Residential	Riyadh	316,837,705	(12,638,518)	(48,104,187)	256,095,000	256,095,000
Elite Center	Multiple	Jeddah	164,000,000	(5,167,489)	-	158,832,511	161,880,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(733,161)	(4,416,839)	66,600,000	66,600,000
Bin 2 Center	Multiple	Jeddah	92,250,000	(2,837,779)	(1,727,221)	87,685,000	87,685,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(1,509,650)	(2,075,350)	211,665,000	211,665,000
The training building for Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(333,133)	-	66,291,867	69,740,000
Elegance Tower	Offices	Riyadh	424,350,000	(2,753,188)	-	421,596,812	453,825,000
			1,526,645,205	(29,532,043)	(65,326,972)	1,431,786,190	1,470,510,000

(Expressed in Saudi Riyals)

The following are the main assumptions used in determining the fair value of investment properties as at December 31, 2021:

Property Name	Valuation Method	Discount Rate
B&Q Retail Company (formerly known as Homeworks Center)	Income approach	9.5% - 8%
Palazzo Center	Income approach	11.25% - 8.5%
Al-Malqa complex	Income approach	7.25% - 10%
Elite Center	Income approach	7.5% - 8.5%
Ahlan Court Center	Income approach	11.25% - 9.5%
Bin 2 Center	Income approach	11.25% - 11%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	10.5% - 8.5%
The training building for Vision Colleges (formerly known as AlFarabi Colleges)	Income approach	10.75% - 8.25%
Elegance Tower	Income approach	7.5% - 8.5%
Vision Colleges - Jeddah	Income approach	7.5% - 9%
Akun warehouses	Income and Cost approach	11% - 10%

The valuations of the investment properties and right of use asset were carried out by white cubes, and Abaad advanced office and his partner, and value start real estate valuation office which are accredited valuers by Saudi Authority for accredited values (TAQEEM).

IMPACT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES AND RIGHT OF USE ASSET AT FAIR VALUE

In accordance with article 35 of the Real Estate Investment Funds Regulations issued by the Capital Market Authority (CMA), Saudi Arabia, the Fund manager estimates the fair value of the funds real estates based on two valuations prepared by independent values. However, in accordance with IFRS, investments in real estate's and right of use asset properties are carried at cost less depreciation and impairment, and for the purpose of disclosing information, the fair value has been disclosed below:

a) The fair value of investment properties and right of use asset consist of the following:

	2021	2020
Cost of investment properties and right of use asset	**2,040,323,415**	1,704,652,613
Accumulated depreciation	**(88,174,202)**	(48,226,886)
Impairment	**(26,092,713)**	(24,681,227)
Fair value of investment properties and right of use asset	**1,926,056,500**	1,631,744,500

(Expressed in Saudi Riyals)

b) Net asset at fair value consists of the following:

	2021	2020
Equity attributable to unitholders	**1,096,825,756**	856,154,223
Unrealized gains arising from revaluation	**80,370,280**	40,645,745
Net asset at fair value	**1,177,196,036**	896,799,968

c) Net equity per unit at fair value (Effected by fair value of investment properties and right of use asset):

	2021	2020
Equity per unit	**7.7784**	8.3145
Unrealized gains arising from revaluation	**0.5700**	0.3947
Net equity per unit, at fair value	**8.3484**	8.7092

9. CREDIT FACILITIES

The Fund has a credit facility agreement with a local bank to obtain a bank financing amounted to 745.9 million Saudi riyals as of December 31, 2021 (as of December 31, 2020: 746 million Saudi riyals). These facilities were obtained mainly according to a financing agreement for the Fund. The facilities agreement is guaranteed by rental collections, and the facilities are charged with financing commissions according to the prevailing rates in the domestic interbank lending market (SAIBOR rate of six months + 2.25% - 2.50% annually) payable at the end of the loan term

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
Unearned rent income	**49,806,024**	34,912,983
Refundable deposit	**16,098,018**	16,098,018
Accrued properties management fees	**1,105,000**	480,473
Accrued finance charges	**548,581**	572,769
Professional and consultations fees	**424,000**	175,650
Refundable insurance	**343,700**	247,950
Retention payable	**267,732**	267,732
Other credit balances	**274,060**	268,020
	68,867,115	53,023,595

(Expressed in Saudi Riyals)

11. OTHER EXPENSES

	FOR THE YEAR ENDED DECEMBER 31	
	2021	2020
Utilities Expenses	**1,538,295**	54,060
Consulting and legal fees	**724,350**	1,058,998
Initial registration and listing fees – annual	**694,586**	641,866
Real estate valuation fees	**480,975**	260,275
Additional offering expenses*	**118,279**	15,640,305
Other expenses	**955,315**	593,691
	4,511,800	18,249,195

* One-time additional offering expenses include capital structuring fees, financing structuring fees and transaction costs related to due diligence of real estate assets.

12. ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund manager, and management fees and charges are calculated as per the terms and conditions of the Fund. The following:

a) ADMINISTRATIVE FEES

The Fund administrator is entitled to receive fees equivalent to 0.025% annually (as indicated in the Fund's terms and conditions) of the net asset value, which are calculated and accrued on every valuation day.

b) MANAGEMENT FEES

The Fund manager is entitled to receive fees equivalent to 9% annually (as indicated in the terms and conditions of the Fund) of net rental proceeds or 0.75% of net asset value according to the last valuation of the Fund - whichever is less - on a quarterly basis

c) CUSTODY FEES

The custodian is entitled to receive fees equivalent to 0.025% annually (as indicated in the terms and conditions of the Fund) of the total assets, or a minimum of 200,000 Saudi riyals per year with a one-time fee of 50,000 Saudi riyals calculated and accrued on every valuation day.

d) SUBSCRIPTION FEES

Subscription fees are exempted during the initial offering period of the Fund. The Fund manager is entitled to receive a subscription fee of 2% of the paid and allocated subscription amounts in the event of any future proposals to increase the Fund's capital, and these subscription fees are deducted upon receipt of the subscription amount and paid to the Fund manager, in addition to the subscription amount.

(Expressed in Saudi Riyals)

e) CAPITAL RESTRUCTURING FEES

The Fund manager is entitled to obtain a capital restructuring fees by amount of 1.5% of the total subscription amounts (cash and in kind) that were collected during the initial offering period or upon the collection of any other future subscription amounts, whether in cash or in kind.

f) FINANCING STRUCTURE FEES

The Fund manager is entitled to obtain a financing structuring fee by amount of 1.5% of the withdrawn financing amount from the total amount of bank facilities compliant with the Sharia Authority controls that were obtained by the Fund or any of its affiliates.

g) PROPERTIES MANAGEMENT FEES

The Fund is entitled to all the fees related to operating, managing, maintaining and insuring all real estate owned by the Fund so that the said fees are paid from the Fund's assets.

13. SHARIA COMPLIANCE

The Fund operates in accordance with the provisions of Sharia law, as determined by the Sharia advisor. The Sharia advisor has reviewed the Fund's public offering document and confirmed that it is in compliance with Sharia provisions.

14. DIVIDENDS

The Fund's board of directors agreed to distribute dividends for the year ended December 31, 2021 and for the year ended December 31, 2020. The details of these distributions are as follows:

Approval Date	Amount per Unit	Total
January 28, 2020	0.20	13,288,477.20
July 22, 2020	0.20	13,288,477.20
October 29, 2020	0.15	15,445,651.95
January 31, 2021	**0.125**	**12,871,376.63**
April 29, 2021	**0.125**	**12,871,376.63**
July 29, 2021	**0.125**	**17,626,106.00**
October 31, 2021	**0.125**	**17,626,106.00**

On January 28, 2020, the Fund Board of Directors approved the payment of dividends for the period from October 1, 2019 to December 31, 2019, at an amount of SR 0.20 per unit and a total of SR 13.29 million to unit holders. The dividend was paid during the year ended December 31, 2020.

On July 22, 2020, the Fund Board of Directors approved the payment of dividends for the period from January 1, 2020 to June 30, 2020, at an amount of 0.20 Saudi riyals per unit and a total of 13.29 million Saudi riyals to unit holders. The dividend was paid during the year ended December 31, 2020.

On October 29, 2020, the Fund Board of Directors approved the payment of dividends for the period from July 1, 2020 to September 30, 2020, at an amount of 0.15 Saudi riyals per unit and a total of 15.45 million Saudi riyals to unit holders. The dividend was paid during the year ended December 31, 2020.

On January 31, 2021, the Fund's Board of Directors approved the payment of dividends for the period from October 1, 2020 to December 31, 2020, in the amount of SR 0.125 per unit and a total of SR 12.871 million to unit holders. The dividend was paid during the year Period ended June 30, 2021.

On April 29, 2021, the Fund's Board of Directors approved the payment of dividends for the period from January 1, 2021 to March 31, 2021, in the amount of SR 0.125 per unit and a total of SR 12.871 million to unit holders. The dividend paid after the period ended June 30, 2021.

On July 29, 2021, the Fund Board of Directors approved the payment of dividends for the period from April 1, 2021 to June 30, 2021, at an amount of 0.125 Saudi riyals per unit and a total of 17.626 million Saudi riyals to unit holders. The dividend was paid during the year ended December 31, 2021.

On October 31, 2021, the Fund Board of Directors approved the payment of dividends for the period from July 1, 2021 to September 30, 2021, at an amount of 0.125 Saudi riyals per unit and a total of 17.626 million Saudi riyals to unit holders. The dividend was paid during the year ended December 31, 2021.

15. COMMITMENTS AND CONTINGENCIES

On November 19, 2019, the Fund entered into a profit rate swap contract with a nominal value of SAR 340 million in order to fix the facility profit margin at a fixed rate of 4.69%. The contract is affected on January 31, 2020. The purpose of the contract is to manage the cash flow risk of the fund.

On July 27, 2021 that it has entered with Al-Rajhi Bank into a Profit Rate Swap Hedging Agreement to fix the profit margin of the facilities used in the first additional offering for the amount of SAR 397.5 million at a fixed rate of 4.44%. The purpose of the hedging facility is to protect the Fund from rate fluctuations during the remaining tenor of this facility, starting from September 1, 2021 until September 7, 2025.

16. LAST VALUATION DATE

The last date for valuation during the year is December 31, 2021.

17. RISK MANAGEMENT

The Fund's activities expose it to various financial risks, and these risks include: market risk (including currency risk, fair value risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial market conditions and seeks to minimize potential adverse effects on the Fund's financial performance.

a) Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies the Fund deals mainly in Saudi Riyal.

(Expressed in Saudi Riyals)

B) Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk are the exposures to various risks related to the effect of fluctuations in market interest rates on the financial position and cash flows of the Fund, and the fund has entered with Al-Rajhi Bank into a Profit Rate Swap Hedging Agreement to fix the profit margin of the facilities used in the first additional offering for the amount of SAR 397.5 million at a fixed rate of 4.44%. The purpose of the hedging facility is to protect the Fund from rate fluctuations during the remaining tenor of this facility, starting from September 1, 2021 until September 7, 2025.(Note 15).

c) Price risk

price risk is the risk that the fair value or a financial instrument will fluctuate because of changes in market prices. Whether these fluctuations were a result of variable factors of the instrument or its source or any other factors affecting all instrument in the market. The Fund is not subject to Price risk.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Funds does not focus on credit risk. Cash is placed with banks with sound credit ratings. Coming up are contractual obligations for financial liabilities, these amount were shown as gross including estimated benefit.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising 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. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

As at December 31,2021	**Book Value**	**Less than a year**	**More than a year**
Non-derivative financial liabilities			
Credit facilities	**745,921,994**	**8,421,994**	**737,500,000**
Due to related parties	**5,644,519**	**5,119,019**	**525,500**
Lease Liabilities	**16,379,505**	**1,165,321**	**15,214,184**
Accrued expenses and other liabilities	**68,867,115**	**52,769,097**	**16,098,018**
	836,813,133	**67,475,431**	**769,337,702**

As at December 31,2020	**Book Value**	**Less than a year**	**More than a year**
Non-derivative financial liabilities			
Credit facilities	746,053,038	8,553,038	737,500,000
Due to related parties	5,865,852	5,865,852	-
Lease Liabilities	17,101,709	1,363,610	15,738,099
Accrued expenses and other liabilities	53,023,595	36,925,577	16,098,018
	822,044,194	52,708,077	769,336,117

(Expressed in Saudi Riyals)

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair Value			
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	Total
December 31, 2021						
Financial Assets						
Cash at Banks	**50,968,681**	-	-	-	-	**50,968,681**
Account Receivables	**21,981,126**	-	-	-	-	**21,981,126**
Prepaid expenses and other debit balances	**14,984,081**	-	-	-	-	**14,984,081**
Due from a related party	**18,781**	-	-	-	-	**18,781**
	87,952,669	-	-	-	-	**87,952,669**
Financial Liabilities						
Credit facilities	**745,921,994**	-	-	-	-	**745,921,994**
Due to related parties	**5,644,519**	-	-	-	-	**5,644,519**
Lease Liability	**16,379,505**	-	-	-	-	**16,379,505**
Accrued expenses and other liabilities	**68,867,115**	-	-	-	-	**68,867,115**
	836,813,133	-	-	-	-	**836,813,133**
December 31, 2020						
Financial Assets						
Cash at Banks	44,108,858	-	-	-	-	44,108,858
Account Receivables	35,693,221	-	-	-	-	35,693,221
Prepaid expenses and other debit balances	7,278,317	-	-	-	-	7,278,317
Due from a related party	19,266	-	-	-	-	19,266
	87,099,662	-	-	-	-	87,099,662
Financial Liabilities						
Credit facilities	746,053,038	-	-	-	-	746,053,038
Due to related parties	5,865,852	-	-	-	-	5,865,852
Lease Liability	17,101,709	-	-	-	-	17,101,709
Accrued expenses and other liabilities	53,023,595	-	-	-	-	53,023,595
	822,044,194	-	-	-	-	822,044,194

19. OPERATING SEGMENTS

The fund generates continuous rental returns and all fund operations are executed in the Kingdom of Saudi Arabia. The fund's operations are monitored by the fund management under one sector. Thus no separate information is required.

20. IMPACT OF COVID-19

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Fund's management has assigned a task force to assess and monitor the possible impact on its business in Saudi Arabia and other geographies where Fund operates. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations. Since the fund achieved positive results during the 2021 pandemic period, and consequently management believes that COVID-19 had no material impact on the reported financial position and results for the year ended December 31, 2021.

Currently, many countries, including countries where the Fund is operating, are constantly addressing the continued increase in recorded cases of COVID-19 and the implications to the economy. COVID-19 is an evolving situation, the Fund is monitoring closely any material impacts to the operations and continuity of business activities. The priority of the Fund remains to protect the health, safety and welfare of employees, customers, and partners, as well as support the Government and its agencies as they work to reduce the impact of the outbreak.

At this stage, the Fund is unable to reliably estimate the future impact of COVID-19, given the lack of certainty on possible end date of the pandemic or vaccination of large part of community that could continue impacting the world economies. Management believes that COVID-19 had no material impact on the financial statement for the year ended 2021. Further, management is monitoring and keeping an eye on the situation through theirs task force.

21. SUBSEQUENT EVENTS

On January 31, 2022, the Fund Board of Directors approved the distribution of dividends for the period from October 1, 2021 to December 31, 2021, at an amount of SR 0.125 per unit and a total of SR 17.63 million to unit holders.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Funds Board of Directors on 24 Sha'aban 1443H (Corresponding 27 March 2022).