



RSM

شركة آر إس أم المحاسبون المتحدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Consolidated financial statements and independent auditor's report
For the year ended 31 December 2022

AI MAATHER REIT FUND
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Consolidated financial Statements and independent auditor's report
For the year ended 31 December, 2022

<u>Index</u>	<u>Page</u>
Independent auditor's report on the consolidated financial statements	-
Consolidated statement of financial position	5
Consolidated statement of profit or loss and other comprehensive Income	6
Consolidated statement of changes in net assets attributable to the unit holders	7
Consolidated statement of cash flows	8
Notes to the consolidated financial statements	9 – 31



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شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية

الرياض - حي العليا - طريق العروبة

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Independent Auditor's Report

TO THE UNITHOLDERS AI MAATHER REIT FUND

CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
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REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Al Maather REIT "The Fund" and its subsidiary (together referred to as the Group) being managed by the company Osool and Bakheet Investment Company "Fund Manager", which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in net assets attributable to the unit holders and consolidated statement of cash flows for the year then ended and the consolidated notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at 31 December 2022 and its financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") adopted in the Kingdom of Saudi Arabia and other standards and issuances supplementing International Standards approved by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basic for Opinion

Our audit is in accordance with the International Standards on Auditing adopted in the Kingdom of Saudi Arabia. Our responsibilities under these standards are set out in more detail in the "Auditor's Responsibilities for Auditing the Consolidated Financial Statements" section of our report. We are independent of the Fund in accordance with the Code of Conduct and Professional Ethics adopted in the Kingdom of Saudi Arabia and relevant to our audit of the consolidated financial statements, and have also fulfilled our ethical responsibilities in accordance with these requirements. In our view, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY Audit Matter

Key audit matters are those matters that in our professional judgments, were of most significance in our audit of consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming out opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

TO THE UNITHOLDERS

AI MAATHER REIT FUND

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Al Maather REIT fund owns a portfolio of the investment properties comprising of commercial building located in the kingdom of Saudi Arabia. Investment properties, held for capital appreciation and or rental yields, are stated at cot less accumulated depreciation and any impairment losses. Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the fund's investment properties on semiannual basis. We considered this a key audit matter since the assessment of impairment requires significant judgement by the Fund manager and the potential impact of impairment if any, could be material to the consolidated financial statements.	For impairment of investment properties, we have carried out the following audit procedures: - We obtained two valuation reports from different/independent real estate evaluators for each investment properties as at 31 December 2022 and confirmed that the valuation approaches are suitable for use in determining the carrying valuers as at the reporting date; - We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; - Assessed the recoverable amount, which is higher of fair valuer or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher that the carrying amount of the same except for certain properties which had an effect of impairment and was therefore recorded by the Fund's management; and - We reconciled the average fair value of the investment properties as per note 8 of the external values' reports

Other information

Other information consists of the information included in the fund's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon, Management is responsible for the other information in its annual report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

TO THE UNITHOLDERS AI MAATHER REIT FUND

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Other Matter

The comparative financial statements for the year ended 31 December 2021, which have been prepared in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and issuances complementary to the International Standards approved by the Saudi Organization for Chartered and Professional Accountants, have been reviewed by another auditor, who issued an unamended opinion thereon in his report dated 26 Shaaban 1443H (corresponding to 29 March 2022G).

Responsibilities of management and those charged with Governance for the financial statements

Funds' management is responsible for preparing and presenting the consolidated financial statements fairly in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and issuances complementary to the international standards approved by the Saudi Organization Chartered and Professional Accountants and in accordance with the provisions of the Investment Funds Regulations issued by the Capital Market Authority and the terms and conditions of the fund, which is responsible for internal control that it deems necessary to enable it to prepare financial statements free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Fund's management is responsible for assessing the Fund's ability to continue as a going concern and, as appropriate, disclosing matters relating to going concern, and using the going concern basis for accounting, unless management intends to liquidate the Fund or cease its operations, or has no other realistic option but to do so.

The charged with governance, i.e the Board of Directors, are responsible for overseeing the Fund's financial reporting mechanism.

Auditor's Responsibilities for Auditing the Financial Statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the auditor's report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the International Standards on Auditing adopted in the Kingdom of Saudi Arabia will always detect material misrepresentation when it exists. Misrepresentations can arise from fraud or error, and misrepresentations are material if It is reasonably expected that they may influence, individually or in their entirety, the economic decisions made by users on the basis of these consolidated financial statements.

As part of the audit process in accordance with the International Standards on Auditing adopted in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the review, and we also do the following:

- Identify and assess the risk of material misstatement in the consolidated financial statements, whether due to fraud or error, design and implement audit procedures that respond to those risks and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of undetected material misrepresentation resulting from fraud is higher than the risk of error, as fraud may involve collusion, forgery, intentional omissions, misleading statements or bypassing internal control.

Independent Auditor's Report (Continued)

TO THE UNITHOLDERS AI MAATHER REIT FUND

CLOSED PUBLIC TRADED LISTED REAL ESTATE INVESTMENT FUND
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Auditor's Responsibilities for Auditing the Financial Statements (continued)

- Establish an understanding of internal control relevant to auditing to design appropriate audit procedures under existing circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and disclosures prepared by management.
- To conclude as to the appropriateness of management's use of the going concern basis for accounting, and whether there is a material uncertainty related to events or circumstances that may raise a significant impact on the Fund's viability as a going concern based on the audit evidence obtained. If we conclude that there is a material uncertainty, we are required to draw attention in our audit report to the relevant disclosures in the consolidated financial statements, or if disclosure of this information is inadequate, we will amend our opinion. Our findings are based on audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause the Fund to cease to exist as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the transactions and events they represent in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence with respect to the financial statements of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for directions, supervisions and overseeing and implementing the Group's review. We remain solely responsible for the audit's opinion.

We communicated with those charged with governance regarding, inter alia, the scope and timing of the audit and the significant findings of the audit, including any significant internal control deficiencies we discover during the audit.

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

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

RSM Allied Accountants professional Services



Muhammad Bin Farhan Bin Nader

License No. 435

Riyadh, Saudi Arabia

5 Ramadan 1444 AH (corresponding to March 27, 2023)



AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Consolidated statement of financial position**As at 31 December 2022**

(Saudi Riyals)

	Note	2022	2021
Assets			
Non-current assets			
Investment properties, net	7	681,543,170	566,420,191
Capital works under construction	9	-	23,661,502
Right to use assets, net	10	3,614,743	4,254,447
Leasehold contracts, net	11	4,319,161	5,119,823
Total non-current assets		689,477,074	599,455,963
Current assets			
Rent receivables, net	12	4,894,645	4,536,185
Prepaid expenses and other assets	13	2,391,064	4,651,990
Cash and cash equivalents	14	29,413,081	51,387,387
Total current assets		36,698,790	60,575,562
Total assets		726,175,864	660,031,525
Liabilities			
Non-current liabilities			
Lease obligations – non-current portion	10	3,213,554	4,391,180
Islamic facilities	A/15	196,568,771	95,568,771
Total non-current liabilities		199,782,325	99,959,951
Current liabilities			
Lease obligations – current portion	10	900,000	325,000
Due to related parties	16	1,448,473	1,394,447
Accrued expenses and other liabilities	17	2,052,397	1,827,498
Deferred revenue	18	9,976,554	11,836,971
Accrued interest on Islamic facilities	15/b	12,160,141	5,979,522
Zakat provision	19	618,369	4,856,934
Total current liabilities		27,155,934	26,220,372
Total liabilities		226,938,259	126,180,323
Unitholders' funds			
Net asset value (equity) attributable to unitholders		499,237,605	533,851,202
Units in issue (numbers)		61,370,000	61,370,000
Book value of assets belonging to the unit	8	8.13	8.70
Fair value of assets attributable to the unit		10.11	9.69

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements.

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Consolidated statement of profit or loss and other comprehensive income**For the year ended 31 December 2022**

(Saudi Riyals)

	Note	2022	2021
<u>Profit or Loss</u>			
Revenue			
Rental income, net	20	61,726,020	51,624,920
Time deposit commission income		153,908	108,903
Other income		-	25,803
Total revenue		61,879,928	51,759,626
Expenses			
Real estate management expenses		(3,606,192)	(3,911,373)
Fund management fees and others	16	(3,884,311)	(3,309,364)
Transactions fees		(1,027,904)	-
Custodian fees	16	(285,074)	(255,718)
Interest of bank facilities		(5,900,724)	(2,232,556)
Financing costs		(297,373)	(345,252)
Property management fees		(2,097,363)	(2,241,564)
Depreciation of the right to use assets	10	(639,704)	(1,053,953)
Expected credit loss expenses		-	836,377
Other expenses	21	(1,851,385)	(1,500,126)
Total expenses		(19,590,030)	(14,013,529)
Net profit for the year from operations		42,289,898	37,746,097
Depreciation of investment properties	7	(16,754,464)	(13,261,062)
Amortization of real estate benefits contracts	11	(800,662)	(1,099,440)
Net change in impairment provision for investment real estate and real estate benefits	7	4,098,869	(12,267,761)
Net profit before zakat for the year		28,833,641	11,117,834
Zakat	19	(623,269)	(2,737,585)
Net profit for the year		28,210,372	8,380,249
<u>Other comprehensive income</u>			
Items that may later be reclassified in the profit or loss statement			
Currency translation differences		(840,269)	-
Total comprehensive income for the year		27,370,103	8,380,249

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
 TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
 (Managed by Osool & Bakheet Investment Company)

Consolidated statement of changes in net assets attributable to the unit holders
For the year ended 31 December 2022
 (Saudi Riyals)

	<u>2022</u>	<u>2021</u>
Net value of assets (equity) attributable to unitholders, beginning of the year	533,851,202	549,405,253
Net profit for the year	28,210,372	8,380,249
Dividends paid	(61,983,700)	(23,934,300)
Other comprehensive Income	(840,269)	-
Net value of assets (equity) attributable to unitholders, year-end	<u>499,237,605</u>	<u>533,851,202</u>

Unit transactions

The following is a summary of the unit transactions during the year:

	<u>2022</u>	<u>2021</u>
	<u>Units</u>	<u>Units</u>
Number of units, beginning of the year	<u>61,370,000</u>	61,370,000
Number of units, year-end	<u>61,370,000</u>	<u>61,370,000</u>

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Consolidated statement of cash flows**For the year ended 31 December 2022**

(Saudi Riyals)

	2022	2021
Cash flows from operating activities		
Net profit before zakat for the year	28,833,641	11,117,834
Adjustments to adjust the net profit before zakat to net cash generated from operating activities		
Depreciation of investment properties	16,754,464	13,261,063
Amortization of benefits contracts	800,662	1,099,440
Depreciation of the right of use assets	639,704	1,053,953
Financing costs	297,373	(345,252)
Banks' facilities interest	5,900,724	(2,232,556)
Reverse of provision for expected credit losses	-	(836,377)
Gains (losses) in fair value of investment properties	(4,098,869)	11,615,277
Impairment losses for investment real estate	-	652,483
Bad debts	(9,957,593)	-
	39,170,106	40,541,481
Changes in operating assets and liabilities		
Rent receivables	9,599,133	7,852,593
Prepaid expenses and other assets	2,260,926	1,092,356
Accrued expenses and other liabilities	244,899	(2,395,521)
Deferred revenue	(1,860,417)	(5,455,557)
Due to related parties	(786,242)	28,614
Paid from Zakat allowance	(4,861,834)	-
Net cash generated from operating activities	43,746,571	41,663,966
Cash flows from investment activities		
Additions to investment properties	(102,126,102)	(1,503,713)
Additions to capital work Under Contraction	(1,711,075)	(9,081,197)
Net cash used in investment activities	(103,837,177)	(10,584,910)
Cash flows from financing activities		
Paid from lease obligations	(900,000)	(825,000)
Proceeds from bank facilities	101,000,000	10,020,000
Dividends paid	(61,983,700)	(23,934,300)
Net cash generated from (used in) financing activities	38,116,300	(14,739,300)
Net change in cash and cash equivalents	(21,974,306)	16,339,756
Cash and cash equivalents, the beginning of the year	51,387,387	35,047,631
Cash and cash equivalents, at the end of the year	29,413,081	51,387,387
Non-cash transactions		
Currencies exchange differences	840,269	-
Capitalized financing cost to capital works under construction	279,895	-
Capital works under construction transferred to investment properties	(25,652,472)	219,800

The accompanying notes (1) to (28) form an integral part of these consolidated financial statements

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements

For the year ended 31 December 2022

1- Fund and its activities

A- Al-Maather 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 has appointed Alinma Investment Company (the "Custodian") to act as the Custodian and Registrar of the Fund. Fees for custody and registrar services are paid by the Fund.

The Fund Manager is responsible for the overall management of the Fund's activities. The Fund Manager may also enter into agreements with other institutions to provide investment, custody or other administrative services on behalf of the Fund.

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, and since that date the rents have been due to the Fund.

B- The terms and conditions of the Fund were issued on 18 Ramadan 1438H (corresponding to 13 June 2017), and on 3 Dhu al-Qa'dah 1443H (corresponding to 2 June 2022), the Fund Manager made some amendments to the terms and conditions of the Fund, the main change in the terms and conditions is related to the change of the chartered accountant and his fees.

C- 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.

D- The consolidated financial statements as at 30 December 2021 include the activities Al Maather REIT Fund and the following subsidiary (hereinafter referred to as the "Fund").

Subsidiary Company	Main activity	Country	Ownership %
RUKN Al Maather Investment Company	The company's activities are in the purchase and sale of land and real estate.	United Arab Emirates	100%

E- The address of the fund manager is at the following address:

Osool & Bakheet Investment Company

P.O. Box 63762

Riyadh 11526

Kingdom of Saudi Arabia

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.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
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Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

3- Basis of preparation

Statement of compliance

These accompanying consolidated financial statements have been prepared in accordance with 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, and the terms and conditions of the Fund.

Basics of measurement

The accompanying consolidated financial statements are presented in accordance with the 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 consolidated 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.

Use of judgments, estimates and assumptions

Preparing consolidated 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:

Investment property 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.

Useful life and residual value of property investments

The fund's management determines the estimated useful life of property investment in purpose of calculating depreciation. This estimate is determined after considering the expected usage of the asset. Management reviews the useful life and residual value of property investment annually, whereby future depreciation is adjusted when management believes that the useful life or residual value is different from those used in prior periods.

Impairment of non-financial assets

The group's management periodically reviews the carrying amount of non-financial assets to determine whether there is any indication that those assets may incur an impairment loss. If any indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment is recognized in the consolidated statement of profit or loss.

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements (continued)**For the year ended 31 December 2022****3- Basis of preparation (continued)****Use of judgments, estimates and assumptions (continued)**Measuring the fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated 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.

Impairment of rent and other receivables

An estimate of the collectible amount of accounts receivable and other receivables is made when it is not possible to collect the full amount or partially. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant and overdue are assessed collectively, and a provision is formed for them according to the length of time overdue they are due.

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.

Zakat

In calculating zakat for the current year, the fund adjusted its net profit and applied a specific discount to its zakat base to calculate zakat expense. The fund has made the best estimates for these assumptions.

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

The application of the following amendments to the current standards does not have any material financial impact on the Fund's financial statements in the current year or previous years and is expected to have no significant impact in future periods:

- Amendments to IFRS 16 (Leases) on the impacts of COVID-19.
- Amendments to IFRS 16 and IFRS No.7 on Interest Rate Measurement Correction – Phase II

Issued standards that have not yet been applied

A number of new declarations are valid for annual periods commencing on or after January 1, 2023 with early application permitted, but the Fund has not made early application of the new or amended standards in the preparation of these consolidated financial statements.

Standardization / Interpretation	Description	Effective from periods beginning on or after the next date
Amendments to IAS 1 and IFRS Statement of Practice 2	Classification of liabilities as current or non-current, disclosure of accounting policies and exercise of materiality jurisprudence	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

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

Issued standards that have not yet been applied (continued)

The Fund evaluates the effects of the above standards, amendments and interpretations on the Fund's financial statements.

5- Consolidation basis

These consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the statement of changes in the net asset (equity) attributable to consolidated unitholders and the consolidated statement of cash flows as well as supplementary notes to the consolidated financial statements, which include the assets, liabilities and results of the Fund's operations and its subsidiaries as set out in note (1). The subsidiary is the company controlled by Al Maather REIT Fund. Al Maather REIT Fund controls the Subsidiary when it has the right to various revenues as a result of its participation and its ability to influence these revenues through its control of the Subsidiary. The Subsidiary shall be consolidated as at the date of Al-Maather REIT Fund's control over the Subsidiary and until it ceases to exercise such control. Al-Maather REIT Fund is using the purchasing method to account for aggregating operations when control is transferred to them. The cost of acquisition is measured at the fair value of the assets acquired. Transactions between the fund and its subsidiaries, as well as unrealized profits and losses resulting from transactions between the Fund and the Company are excluded. The accounting policies of the subsidiary are amended as necessary to ensure that they are consistent with the policies followed by Al Maather REIT.

6- 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

Capital work in progress

Capital work in progress is recognized at cost in the initial measurement and it is not depreciated. Once the asset is ready to use for the purpose it builds for and it will transfer to property, plant and equipment and or properties investment, financing costs which spent on loans to finance the creation of eligible assets during the period of completing and preparing the assets for the intended use are capitalized.

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.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

6- Significant accounting policies (continued)

Investment properties (continued)

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

Description	Useful life
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 principal or the most advantageous market must be accessible by the Fund.

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 by using the asset in its highest and best use or by selling it to another market participant that would use 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.

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

- Level 1 — Quoted market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is - significant to the fair value measurement - is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is - significant to the fair value measurement- is unobservable.

For assets and liabilities that are recognized in 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.

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.

Net assets value

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

Impairment of assets value

Assets are re-measured if there is an impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss (if any) is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

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 consolidated profit or loss, and any subsequent recoveries of receivables that were previously written off are added to other revenue.

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements (continued)**For the year ended 31 December 2022**

6- Significant accounting policies (continued)**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.

Accounts payable and accruals

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

Dividends

Dividend income is recognized at the time the right of receipt arises, reflecting dividend income as a component of net trading income, net income from investments listed at fair value through profit or loss, financial instruments or other operating income based on the basic classification of equity instruments.

Right of use assets and lease obligations

The Fund recognized new assets and liabilities for its operating leases for various types of contracts including land and office leases. Each lease payment is apportioned between the liability and the finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so that a constant periodic rate of interest is earned on the remaining balance of the liability for each period. The right-of-use asset is amortized over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

The assets and liabilities arising from the lease are initially measured on a present value basis.

Right of use, 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"

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2022

6- Significant accounting policies (continued)

Right of use assets and lease obligations (continued)

Duration of leases

The Fund defines the duration of the lease as the irrevocable period in the lease along with each of the following:

- the periods covered by the lease extension option if the fund is reasonably certain that this option will be exercised;
- The periods covered by the option to terminate the lease if the fund is reasonably certain that this option has not been exercised.

For short-term leases (lease duration 12 months or less) and low-value contracts, the fund has recognized rental expenses on a straight-line basis as permitted in IFRS 16 which is the same way it was accounted for in accordance with IAS 17 "Leases".

Investments in subsidiaries

A subsidiary is an entity controlled by another entity. Control is achieved when a company becomes entitled to variable returns as a result of its participation in an entity in which it invests, and the company has the ability to influence these returns by exerting influence over the investee company. In particular, the company controls the investee if - and only if - the fund has:

- Influence over the investee (e.g., existing rights that give the company the current ability to direct activities related to the investee entity).
- A right or rights to obtain variable returns as a result of interference in the investee entity.
- The ability to use its influence on the investee to influence its returns.

In general, there is an assumption that the majority of voting rights lead to the achievement of control. In order to reinforce this assumption and when the Fund has a lower than the majority of voting rights or similar rights in the investee entity, the fund considers all relevant facts and circumstances when assessing whether the Fund has influence over the investee entity, which include the following:

- Contractual arrangement with others who are entitled to vote in the investee establishment.
- Rights arising from other contractual arrangements.
- Voting rights and potential voting rights of the Fund.

The fund shall reassess whether it controls the investee if facts or circumstances indicate changes in one or more of the three conditions of control.

For the purposes of preparing these non-consolidated special-purpose financial statements, the investment in the subsidiary is calculated according to the equity method, where the investment is initially recorded at cost and adjusted later according to post-acquisition changes in the company's share of the investee's net assets. The company's share in the profit or loss of the investee for the year is included in the non-consolidated profit or loss statement prepared for a special purpose.

The book value of all investments is reduced to include any impairment except for the temporary impairment. Dividends from these investments are recognized upon receipt and credited to the investment account.

Provisions

A provision is recognized in the statement of financial position when the fund has a current, legal or contractual obligation as a result of a past event and is likely to require an outflow of economic benefits to pay the obligation. The measurement of obligations is based on current legal requirements and available technologies. Provisions are deducted only when the impact of the time value of money is substantial.

Provisions are measured according to the best expectations of the allowance required to meet the obligation as at the date of the non-consolidated statement of financial position prepared for a special purpose after taking into account the risks and uncertainties surrounding the obligation. When the provision is measured using estimated cash flows to pay off the current obligation, the receivable is recognized as an asset in the event that receipt and replacement of the amount is confirmed and the amount can be measured reliably.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)
For the year ended 31 December 2022

6- Significant Accounting Policies (continued)

Zakat

- Zakat provision is recognized at the end of each financial year in accordance with the regulations of the Zakat and tax and customs in the Kingdom of Saudi Arabia ("the Authority").
- Zakat is charged at the end of each financial year in the statement of profit or loss, Zakat liabilities and income tax, (if any), related to zakat assessments over previous years are recognized by the Authority in the period in which the final assessments become final.

Value added tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi' al-Thani 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle. therefore; the value-added tax treatment in the company's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the company will bear VAT, and in such cases where the VAT is not refundable, it must be included in the cost of the product or service.

Loans

Loans are initially recorded at fair value (represented as the proceeds received) less transaction costs incurred, if any. After initial recognition, these long-term loans are carried at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the recoverable amount is recognized as a gain or loss over the life of the loan using the effective interest method.

Loans are classified as current liabilities as long as the Fund does not have a temporary right to delay settlement of the obligation for at least 12 months after the reporting date.

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.

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.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)
For the year ended 31 December 2022

6- Significant Accounting Policies (continued)

Revenue recognition (continued)

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.

Murabaha income

Murabaha income from time deposits is recognized on an accrual basis in the statement of comprehensive income.

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 consolidated 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.

Management fees

Fund management fees are recognized on an accrual basis and charged to the statement of comprehensive income. Fund management fees are charged according to the rates agreed upon with the fund manager and as stipulated in the terms and conditions of the fund.

Handling fees

The fund manager charges the fund a transaction fee from the purchase or sale value of each real estate purchased or sold by the fund.

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.

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

7- Investment properties, net

a) This item consists of the following:

2022	Lands	Buildings	Furniture & Fixtures	Total
Cost				
Balance, beginning of the year	321,188,708	346,400,356	9,164,984	676,754,048
Additions	10,200,000	91,809,400	116,702	102,126,102
Transferred from capital works under construction (Note 9)	-	25,652,472	-	25,652,472
Balance, year-end	331,388,708	463,862,228	9,281,686	804,532,622
Accumulated depreciation				
Balance, beginning of the year	-	48,389,407	5,839,467	54,228,874
Charged during the year	-	15,366,795	1,387,669	16,754,464
Balance, year-end	-	63,756,202	7,227,136	70,983,338
Net book value				
Balance, beginning of the year	(36,024,465)	(19,692,419)	(388,099)	(56,104,983)
Charged during the year	1,565,163	2,482,872	50,834	4,098,869
Balance, year-end	(34,459,302)	(17,209,547)	(337,265)	(52,006,114)
Net	296,929,406	382,896,479	1,717,285	681,543,170
2021				
Cost				
Balance, beginning of the year	321,188,708	345,010,729	9,050,898	675,250,335
Additions	-	1,389,627	114,086	1,503,713
Balance, year-end	321,188,708	346,400,356	9,164,984	676,754,048
Accumulated depreciation				
Balance, beginning of the year	-	36,497,989	4,469,822	40,967,811
Charged during the year	-	11,891,418	1,369,645	13,261,063
Balance, year-end	-	48,389,407	5,839,467	54,228,874
Net book value				
Balance, beginning of the year	(29,504,390)	(14,717,292)	(268,024)	(44,489,706)
Charged during the year	(6,520,075)	(4,975,127)	(120,075)	(11,615,277)
Balance, year-end	(36,024,465)	(19,692,419)	(388,099)	(56,104,983)
Net	285,164,243	278,318,530	2,937,418	566,420,191

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

7- Investment properties, net (continued)

Real estate investments consist of the following eleven properties:

- GENX Al-Maather: (It is a commercial, residential and office property located on Prince Turki bin Abdul Aziz in Al-Maather district in Riyadh).
- GENX Al-Rabie: (represents a commercial property "hotel units" located in King Fahd Bin Abdul Aziz in the Olaya district in Riyadh).
- Al Muhammadiyah Tower: (represents a commercial and office property located in King Fad bin Aziz in the Olaya district in Riyadh).
- Takhassusi Showrooms: (represents a commercial property located in Takhassusi Street in Al-Maather district in Riyadh).
- Al-Sahafa 1: (It represents an office commercial property located in Al-Olaya Street in Al-Sahafa district in Riyadh).
- Al-Sahafa 2: (It represents an office commercial property located in Al-Olaya Street in Al-Sahafa District in Riyadh).
- Al-Ha'ir warehouses: (represents warehouses and is located in the Al Masani' district in Riyadh).
- Al-Sulay warehouse: (represents warehouses and is located on Al-Khattab Street in Al-Sulay district in Riyadh).
- Tolan Hotel Suites: (It represents hotel suites and is located in the Aqrabiya district in Al-Khobar).
- Elite Educational Schools: (An educational property located on Al-Fahd district road in the city of Unaizah, where this property was purchased during 2021).
- Al-Salam Schools: (Land of an educational property located in Al-Salam district in Riyadh, where this property was purchased during 2021).
- Burjeel Property (Burjeel Hospital located in the United Arab Emirates, Emirate of Sharjah) This property was purchased in February 2022).

The market value of the properties has been determined by Taqeem accredited valuers according to an appraisal system according to the International Valuation Standards for the International Valuation Standards Council, the assumptions used to determine the fair value of investment properties are as follows:

Statement	Evaluation method	Market Value			
		31 December 2022		31 December 2021	
		Valuation	White Cubes	Valuation	White Cubes
GENX Al-Maather	Discounted cash flows	166,111,000	150,000,000	166,111,000	151,200,000
GENX AL RABIE	Discounted cash flows	39,688,000	42,140,000	39,755,000	40,660,000
Mohammedia Tower	Discounted cash flows	104,500,000	127,000,000	104,500,000	108,680,000
Takhassusi Showrooms	Discounted cash flows	67,072,000	70,400,000	67,072,000	66,540,000
Al-Sahafa 1	Discounted cash flows	46,662,000	64,900,000	46,662,000	46,730,000
Al-Sahafa 2	Discounted cash flows	52,292,000	60,600,000	52,293,000	57,550,000
Al-Ha'ir Warehouses	Discounted cash flows	18,018,000	20,200,000	17,402,000	19,720,000

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

7-Investment properties, net (continued)

Al-Sulay Warehouse	Discounted cash flows	42,984,000	56,600,000	42,984,000	47,090,000
Tolan Hotel Suites	Discounted cash flows	26,378,000	41,700,000	26,378,000	29,810,000
Elite Educational Schools	Discounted cash flows	29,278,000	37,640,000	29,278,000	37,640,000
Al-Salam Schools	Discounted cash flows	49,247,000	55,380,000	45,307,000	55,380,000
Burjeel Hospital	Discounted cash flows	115,509,000	116,750,000	-	-
Total		757,739,000	843,310,000	637,742,000	661,000,000
Average evaluations		800,524,500		649,371,000	

8-Effect of net assets value (equity), if investment properties and lease hold 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 stated in the terms and conditions of the fund, the net asset value (equity) is disclosed on the basis of the available market value. However, according to the Fund's accounting policies, real estate investments are stated at cost less accumulated depreciation and impairment, if any, in these financial statements. Therefore, the fair value is disclosed below for the purpose of obtaining information and has not been recorded in the books of the fund

The evaluation of investment real estate ("real estate") has been determined by the Saudi Asset Valuation Company (Tathmeen) and the White Cubes Real Estate Appraisal Office (White Cubes), which are licensed by Saudi Authority for Accredited Valuers ("Taqeem"). The fund manager used the average of two evaluations for the purpose of revealing the fair value of the real estate. The real estate was evaluated taking into account a number of factors, including the size and type of property, and valuation techniques that use many unobservable inputs, these models include the land plus cost method, the residual value method, and the discounted cash flow method.

The following is the evaluation of real estate investments:

2022		Saudi Asset Valuation Company (Tathmeen)	White Cubes Real Estate Appraisal Office (White Cubes)	Average
Real Estate Investments	Kingdom of Saudi Arabia	642,230,000	726,560,000	684,395,000
Al Maather REIT Fund	United Arab Emirates	115,509,000	116,750,000	116,129,500
Real Estate Investments RUKN Al Maather	Kingdom of Saudi Arabia	6,452,000	6,676,000	6,564,000
Benefits contracts		764,191,000	849,986,000	807,088,500

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

8- Effect of net assets value (equity), if investment properties and lease hold contracts are measured at fair value (continued)

2021		Saudi Asset Valuation Company (Tathmeen)	White Cubes Real Estate Appraisal Office (White Cubes)	Average
Real Estate Investments	Kingdom of Saudi Arabia	637,742,000	661,000,000	649,371,000
Benefits contracts	Kingdom of Saudi Arabia	6,452,000	6,702,775	6,577,388
		<u>644,194,000</u>	<u>667,702,775</u>	<u>655,948,388</u>

The management used the average of the evaluators for the purpose of disclosing the fair value of the real estate investments.

Real estate investments and benefits contracts were valued taking into account a range of factors, including area and type of property, valuation methods using unobserved inputs including financial analysis, plot division, cost method, direct comparison method and residual value method.

	2022	2021
Estimated fair value of real estate investments based on the average of the two valuations	807,088,500	655,948,388
deduct		
Book Value of Real Estate Investments	(681,543,170)	(566,420,191)
Book value of capital work under constructions	-	(23,661,502)
Book value of benefits contracts	(4,319,161)	(5,119,823)
Estimated fair value in increase/(decrease) book value	<u>121,226,169</u>	<u>60,746,872</u>
Issued units (by number)	61,370,000	61,370,000
Additional value of the unit based on fair value	<u>1.98</u>	<u>0.99</u>

Net asset value:

	2022	2021
Net asset value (equity) attributable to unitholders as in the financial statements before fair value adjustment	499,237,605	533,851,202
Increase estimated fair value over book value	<u>121,226,169</u>	<u>60,746,872</u>
Net asset value attributable to unitholders based on fair value of real estate investments	<u>620,463,774</u>	<u>594,598,074</u>

Net asset value per unit:

Book value of assets attributable to the unit as in the financial statements before fair value adjustment	8.13	8.70
Excess value of the unit on a fair value basis	<u>1.98</u>	<u>0.99</u>
Net assets attributable to the unit based on fair value	<u>10.11</u>	<u>9.69</u>

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)

For the year ended 31 December 2022

(in Saudi Riyals)

9- Capital works under construction

- a) The capital works under construction represent the Alsalam Schools project, which was completed on April 1, 2022, and was transferred to investment properties.
- b) The following is the movement of capital works under construction as follows:

	2022	2021
Balance, beginning of the year	23,661,502	14,580,305
Additions during the year	1,990,970	9,081,197
Transferred to investment properties during the year	(25,652,472)	-
Balance, year-end	-	23,661,502

10- Right of use assets, net and lease obligations

- a) This item consists of the following:

	2022	2021
Cost		
Balance, beginning of the year	7,553,345	7,491,726
Additions	-	61,619
Balance, year-end	7,553,345	7,553,345
Accumulated depreciation		
Balance, beginning of the year	3,298,898	2,244,945
Charged during the year	639,704	1,053,953
Balance, year-end	3,938,602	3,298,898
Net book value	3,614,743	4,254,447

- b) The lease obligations as at 31 December are as follows:

	2022	2021
Lease Obligations – Non Current portion	3,213,554	4,392,180
Lease Obligations – Current portion	900,000	325,000

- c) The right of use the assets is real estate acquired under financing leases.
- d) The total financing interest recognized for lease obligations during the year ended 31 December 2022 was SAR 297,373 (31 December 2021: SAR 345,252).

11- Leasehold contracts, net

- a) The Fund has a transfer agreement with Zawya Al-Maather Company on 15 March 2017 to take effect on 15 August 2017 The Benefits contracts consist of the following:
- Al-Quds Benefit: It is a commercial office property located on King Abdullah bin Abdul Aziz Road in Al-Quds district in Riyadh, and the cost of purchasing the benefit is 2,243,693 Saudi riyals, and it is amortized over 10 years.
 - Wadi Laban Benefit: It is a residential commercial property located in Al-Shifa Road in the Dhahrat Laban district in Riyadh, and the cost of purchasing the benefit is 1,375,978 Saudi riyals, and it is amortized over 10 years.
 - Al-Dabab benefit: It is a commercial office property located in Imam Abdullah bin Faisal Road in Al-Murabba district in Riyadh, and the cost of purchasing the benefit is 5,927,493 Saudi riyals and it is extinguished over 15 years.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)
For the year ended 31 December 2022
(in Saudi Riyals)

11- Leasehold contracts, net (continued)

b) The movement of benefits contracts as at December 31 is as follows:

	2022	2021
Balance, beginning of the year	6,064,973	7,164,413
Amortization during the year	(800,662)	(1,099,440)
	5,264,311	6,064,973
Impairment losses (c)	(945,150)	(945,150)
Balance, year-end	4,319,161	5,119,823

c) The movement of impairment losses as at December 31 is as follows:

	2022	2021
Balance, beginning of the year	945,150	292,667
Charged during the year	-	652,483
Balance, year-end	945,150	945,150

12- Rent receivables, net

a) This item consists of the following:

	2022	2021
Rent receivables	6,531,719	16,130,852
Provision for expected credit losses - B	(1,637,074)	(11,594,667)
	4,894,645	4,536,185

b) The movement of the provision for expected credit losses as at 31 December 2022 is as follows:

	2022	2021
Balance, beginning of the year	11,594,667	12,431,044
Reverse of provision no longer needed during the year	-	(836,377)
Receivables write off	(9,957,593)	-
Balance, year-end	1,637,074	11,594,667

c) The following table is the aging the receivables:

	1-90 day	91-180 day	181 -270 days	270 -365 days	More than 365 days	Total
2022	161,231	1,132,975	1,389,034	3,502,622	345,857	6,531,719
2021	933,508	4,377,117	734,056	624,011	9,462,160	16,130,852

13- Prepaid expenses and other assets

a) This item consists of the following:

	2022	2021
Islamic murabaha management fees - B	1,014,967	428,546
Non paid refundable deposit	409,450	595,430
Value added tax (VAT)	59,994	94,375
Operational custody	39,975	29,876
Advance payments to suppliers	8,625	2,594,525
Accrued term deposit income	-	54,500
Other	858,053	854,738
	2,391,064	4,651,990

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)
For the year ended 31 December 2022
(in Saudi Riyals)

13-Prepaid expenses and other assets (continued)

- b) The Islamic Murabaha management fees are represented in the administrative fees paid for signing the Islamic Murabaha contract, which are amortized over the life of the loan (Note -20).

14-Cash and cash equivalents

	2022	2021
Cash with banks	29,413,081	17,387,387
Term deposits	-	34,000,000
	29,413,081	51,387,387

15-Islamic facilities

- 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.

- a) The movement of Islamic facilities are as follows:

	2022	2021
Balance, beginning of the year	95,568,771	85,548,771
Received during the year	101,000,000	10,020,000
Balance, ending of the year	196,568,771	95,568,771

- Total interest expenses of the year SAR 5,900,724 (2021: SAR 2,232,556), interest was capitalized in the amount of SAR 297,895 on capital works under constructions (2021: SAR 1,102,082)

- b) The movement of interest on Islamic facilities are as follows:

	2022	2021
Balance, beginning of the year	5,979,522	2,644,884
Additions during the year	6,180,619	3,334,638
Balance, year-end	12,160,141	5,979,522

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

16-Due to related parties

- The Fund's related parties are in the Fund's Board of Directors, the Fund Manager, "Osool & Bakheet Investment Company", Property Manager, Medad Al-Khair Real Estate Establishment, and Zawya Al-Maather Real Estate Company.
- The Fund deals in the ordinary course of business with related parties, related party transactions are governed by the restrictions of regulations issued by the Capital Market Authority, all transactions with related parties are approved by the Fund's Board of Directors
- 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.
- The fund manager charges the fund a transaction fee of 1% of the purchase or sale value of each property purchased or sold by the fund.

a) The balances payable to related parties are as follows:

Related Party	2022	2021
Osool & Bakheet Investment company	1,159,991	1,015,763
Albilad Capital Company	89,104	77,885
Medad Al Khair Real Estate Company	163,378	252,799
Members of the Board of Directors	36,000	48,000
	1,448,473	1,394,447

b) The most important material transactions with related parties as of 31 December are as follows:

Related Party	Nature of the relationship	Transaction Type	Transaction amount	
			2022	2021
Osool and Bakhit Investment company	Fund Manager	Fund Management	3,884,311	3,309,364
		Transaction Fees	1,027,904	-
Albilad Capital Company	Custodian	Custody fees	285,074	255,718
Members of the Board of Directors	Members of the Board of Directors	Attendance compensation	36,000	48,000
Zawya Al Mather Real Estate	Unitholder – Board Member	As a tenant	-	(670,000)
Medad Al-Khair Real Estate Establishment		As a tenant	32,000	110,400
		Property Management	2,097,363	2,241,564
Creative Future for Digital Brokerage	A subsidiary of Osool & Bakhit Company	Rent	122,000	146,454

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

17- Accrued expenses and other liabilities

	2022	2021
Refundable deposits - clients	1,131,397	1,291,967
Advance payments from customers	490,619	317,723
Supplier accruals	290,722	103,995
Accrued expenses	110,672	113,815
Withholding tax	28,987	-
	2,052,397	1,827,498

18- Deferred revenue

	2022	2021
Balance, beginning of the year	11,836,971	17,292,528
Rental income earned during the year (Note -20)	(61,955,150)	(54,675,337)
Rental income received during the year	60,094,733	49,219,780
Balance, year-end	9,976,554	11,836,971

19-Zakat

a) The main components of the zakat base are as follows:

	2022	2021
Adjusted net profit	24,734,772	27,567,389
Net units value beginning of the period	533,851,202	549,405,253
Positive components of the base	198,659,066	153,451,712
Negative components of the base	(741,483,188)	(623,390,263)
Zakat base	15,761,852	107,034,091
Zakat	618,369	2,737,585
Zakat differences	4,900	-
	623,269	2,737,585

b) The following is the movement of the Zakat provision:

	2022	2021
Balance, beginning of the year	4,856,934	2,119,349
Charged during the year	623,269	2,737,585
Paid during the year	(4,861,834)	-
Balance, year-end	618,369	4,856,934

20-Rental income, net

	2022	2021
Real estate investment rental income	59,919,909	51,930,395
Leasehold contract rental income	2,035,241	2,744,942
	61,955,150	54,675,337
Discount on rentals	(229,131)	(3,050,417)
	61,726,020	51,624,920

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

21-Other expenses

	2022	2021
Trading and deposit centrals	582,201	581,953
Evaluation, consultation and professional fees	521,287	346,500
Islamic murabahat fees	267,563	51,285
Acquisition of new properties fees	183,647	217,280
Real estate asset insurance	154,426	141,980
Bank expenses	42,368	26,390
Board members attendance compensation	36,000	48,000
Others	63,893	86,738
	<u>1,851,385</u>	<u>1,500,126</u>

22-Dividends

According to the Fund's terms and conditions, the Fund aims to distribute annual profits of at least 90% of the Fund's net profits. The fund's board of directors approved the distribution of profits in relation to the fiscal year ending on December 31, 2021, amounting to 0.57 Saudi riyals per unit, totaling 34,980,900 Saudi riyals and paid on March 13, 2022, and profits were distributed for the nine-month period ending on September 30, 2022, amounting to 0.44 Saudi riyals for each unit, with a total of 61,370,000 Saudi riyals, on November 28, 2022.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
 (Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)

For the year ended 31 December 2022

(in Saudi Riyals)

23-Segment information

The Fund's main activity is in the rental sector, and the Fund's main activity is concentrated mainly in the Kingdom of Saudi Arabia and the United Arab Emirates.

A- The following are some of the financial data for those business sectors:

	Offices	Hotel Suites	Galleries	Warehouses	Schools	Hospitals	Other	Unallocated	Total
2022									
Operating income	17,143,992	14,798,621	10,211,332	5,724,772	6,235,000	7,406,087	206,216	-	61,726,020
Other income	-	-	-	-	-	-	-	153,908	153,908
Direct Operating Expenses	(466,661)	(4,091,274)	(449,764)	(418,936)	(2,268,536)	(4,187,373)	(71,937)	-	(11,954,482)
Indirect Operating Expenses	-	-	-	-	-	-	-	(7,635,549)	(7,635,549)
Depreciation, amortization	(4,604,668)	(431,744)	(1,292,967)	(2,744,266)	(1,565,555)	(2,774,958)	(42,100)	-	(13,456,258)
Net profit before zakat	12,072,663	10,275,603	8,468,601	2,561,570	2,400,909	443,755	92,179	(7,481,640)	28,833,640
2021									
Operating income	18,491,651	12,450,839	8,604,913	5,637,349	6,233,955	-	206,214	-	51,624,920
Other income	-	-	-	-	-	-	-	134,706	134,706
Direct Operating Expenses	(578,909)	(4,234,692)	(1,024,223)	(364,751)	(1,359,548)	-	(91,767)	-	(7,653,889)
Indirect Operating Expenses	-	-	-	-	-	-	-	(7,196,016)	(7,196,016)
Reducing expected credit	-	-	-	-	-	-	-	836,377	836,377
Depreciation, amortization	(7,737,419)	(7,358,761)	(6,078,634)	(4,466,926)	(938,110)	-	(48,414)	-	(26,628,264)
Net profit before zakat	10,175,323	857,386	1,502,056	805,671	3,936,296	-	66,035	(6,224,933)	11,117,834

B- Here are some of the financial statements for those geographic sectors:

	Offices	Hotel Suites	Galleries	Warehouses	Schools	Hospitals	Other	Unallocated	Total
2022									
Saudi Arabia Revenues	17,143,992	14,798,621	10,211,332	5,724,772	6,235,000	-	206,216	-	54,319,933
UAE Revenue	-	-	-	-	-	7,406,087	-	-	7,406,087
	17,143,992	14,798,621	10,211,332	5,724,772	6,235,000	7,406,087	206,216	-	61,726,020
2021									
Saudi Arabia Revenues	18,491,651	12,450,839	8,604,913	5,637,349	6,233,955	-	206,213	-	51,624,920
UAE Revenue	-	-	-	-	-	-	-	-	-
	18,491,651	12,450,839	8,604,913	5,637,349	6,233,955	-	206,214	-	51,624,920

AI MAATHER REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)**For the year ended 31 December 2022**

(in Saudi Riyals)

24-Financial instruments, risk management and fair value**Financial instruments**

The financial instruments included in the statement of financial position mainly include cash with banks, receivables, prepaid expenses, other assets, financial assets at fair value through profit and loss, accrued to related parties, payables, accrued expenses and other liabilities.

Financial risk management

The Fund is exposed to the following risks resulting from financial instruments

- Credit risk
- Market risk
- Liquidity risk

The Fund's management is entirely responsible for developing and supervising the Fund's risk management frameworks. The Fund's risk management policies have been developed to identify and analyze the risks faced by the Funds, established appropriate risk limits and controls, and monitor and comply with those limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Fund's activities. Through its training and management procedures and standards, the Fund aims to have a regular control environment in which employees are aware of their responsibilities and obligations.

Credit risk

Credit risk is the risk of financial loss faced by the Fund in the event that the customer or counterparty in a financial instrument fails to fulfill its contractual obligations, and arises from cash with banks, amounts due from customers and amounts due from related parties. The maximum exposure to credit risk represents the book value of these assets.

The cash balance is represented in current accounts, and where cash is deposited with financial institutions with a high credit rating, management believes that the fund is not exposed to material risks. Customer-related credit risk is managed by the business unit subject to the Fund's policies, procedures and controls on customer credit risk management. Credit limits have been set for all customers using internal and external rating standards and controls. The credit quality of customers is evaluated according to a credit rating system. Existing receivables are regularly monitored. The financial position is stable for related parties.

The following is a statement of the credit risk to which the fund is exposed:

	<u>2022</u>	<u>2021</u>
Receivables	4,894,645	5,536,185
Cash with banks	29,413,081	51,387,387
	<u>34,307,726</u>	<u>55,923,572</u>

Market risk

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates and commission rates, the objective of market risk management is to manage and control exposure to market risk within acceptable limits while achieving the highest possible return.

AI MAATHER REIT FUND
CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND
TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY
(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements (continued)

For the year ended 31 December 2022

(in Saudi Riyals)

24- Financial instruments, risk management and fair value (continued)

Financial risk management (continued)

Foreign exchange rate risk: Foreign exchange rate risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Fund's foreign exchange risk management aims to protect future cash flows in Saudi Riyals, US Dollars and European Euros. Foreign exchange risk exposures related to cash flows are taken into account at the fund level and consist of uncertainty for Fundamental to currency exchange risk resulting from payables and receivables. Fund management monitors currency exchange rates and believes that the risk of fluctuations in currency exchange rates is insignificant.

Commission price risk: Commission risk appears from potential changes and fluctuations in commission rates that affect future profit or fair values of financial instruments and the Fund monitors commission rate fluctuations and believes that the impact of commission price risk is insignificant.

Capital risk

The main objective of the Fund's capital management is to support its business and increase the return on the owners.

The Fund's policy is to maintain a strong capital base to maintain the confidence of the users of the financial statements and maintain the future development of the business. The Fund manages its capital structure and makes adjustments to it in light of changes in economic conditions. Management monitors the return on capital determined by the Fund as the result of operating activities divided by total equity. There have been no changes in the Fund's method in capital management during the year. The management also monitors the level of dividends for owners. The Fund has not been subject to externally imposed capital requirements.

Stock price risk

Stock price risk represents the risk resulting from the fluctuation of the value of financial instruments as a result of changes in the prevailing prices in the market. The Fund's investments are exposed to market price risks that arise from uncertainty about future prices. The fund manager manages these risks by diversifying the fund's investment portfolio.

The following is an analysis of the Fund's debt-to-equity ratios at the end of the year:

	2022	2021
Total liabilities	226,938,259	126,180,323
Less: Cash and cash equivalents	(29,413,081)	(51,387,387)
Net debt	197,525,178	74,792,936
 Total equity	 499,237,605	 533,851,202
Debt-to-equity ratio	39.57%	14%

Liquidity risk

Liquidity risk represents the difficulties faced by the Fund in meeting its obligations related to its financial liabilities. The Fund's approach to managing liquidity risk is to hold sufficient cash and quasi-cash and ensure the availability of funding from owners.

Management monitors liquidity shortfall risks using forecast models to determine the effects of operating activities on overall liquidity availability, and maintains an available cash flow ratio that ensures debt repayment when it matures.

Al Maather REIT FUND

CLOSED PUBLIC TRADING LISTED REAL ESTATE INVESTMENTS FUND

TAKES THE FORM OF A SPECIAL-PURPOSE ENTITY

(Managed by Osool & Bakheet Investment Company)

Notes to the financial statements Uniform (continued)**For the year ended 31 December 2021****24- Financial Instruments, risk management and fair value (continued)**

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

2022	1 to 12 months	From 1 to 5 years	More than 5 years	Indefinite	Total
Due to a related party	1,448,473	-	-	-	1,448,473
Accrued expenses and Other liabilities	2,052,397	-	-	-	2,052,397
	<u>3,500,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500,870</u>
2021					
Due to a related party	1,394,447	-	-	-	1,394,447
Accrued expenses and Other liabilities	1,827,498	-	-	-	1,827,498
	<u>3,221,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,221,945</u>

25-Last day of evaluation

The last evaluation day of the year was December 31, 2022 (December 31, 2021).

26-Subsequent events

On March 13, 2023, the fund announced cash dividends to the unit holders of Al-Maather REIT Fund for the three months ending on December 31, 2022, in the amount of 11,046,600 Saudi riyals (0.18 Saudi riyals per unit). And that the eligibility for cash distributions is for the unitholders, according to the unitholders register at the end of March 20, 2023.

except that, As per management, there were no significant subsequent events other than mentioned above after December 31, 2022 and the date of issuance of the financial statements that may have a material impact on the financial statements as at December 31, 2022.

27-Comparative figures

Some figures for the comparative year have been reclassified to conform to the current year's classification.

28-Approval of financial statements

These financial statements were approved by the Board of Directors of the Fund on 5 Ramadan 1444 AH (corresponding to March 27, 2023)