AL RAJHI REIT FUND
(Managed by Al Rajhi Capital)

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

Al RAJHI REIT FUND
(Managed by Al Rajhi Capital)

FINANCIAL STATEMENTS
31 December 2020

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Paid up capital SR 100,000
A Limited Liability Company
Kingdom of Saudi Arabia Riyadh King Fahd Road ,
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INDEPENDENT AUDITOR'S REPORT
TO THE UNITHOLDERS OF AL RAJHI REIT FUND
(Managed by Al Rajhi Capital)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Rajhi REIT Fund (the "Fund") being managed by Al Rajhi Capital (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the related statements of comprehensive income, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, 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 Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
Valuation of investment properties The Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties, being held for capital appreciation and/or rental yields, are stated at cost less accumulated depreciation and any impairment losses. 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 management monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis. We considered this a key audit matter since the assessment of impairment requires significant judgment by the Fund's management and assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties based on the independent valuation reports. The Fund's management have determined that the recoverable amount of investment properties at the end of the year was lower than the carrying value of the related investment properties and an impairment of SR 64,900,754 (2019: SR nil) was recognized in the statement of comprehensive income during the year. *The Fund's policies for investment properties are disclosed in note 5.7 and related disclosures about the above-mentioned key audit matter are included in notes 8 and 9 of the accompanying financial statements.*	For impairment of investment properties, we have carried out the following audit procedures: - We assessed the professional qualification, competence and expertise of the Fund's independent valuers, also ensured that the valuers are certified by the Saudi Authority for Accredited Valuers (TAQEEM); - We reviewed the assumptions and methodologies used in valuing the investment properties by the Fund's independent valuers and also obtained the Fund Managers involvement in the valuation process to assess whether appropriate oversight was performed; - We reviewed the methodology, assumptions and key factors used in valuing the investment properties by hiring an independent valuation experts; - We reconciled the average fair value of the investment properties as per note 9 of the accompanying financial statements to the external valuers' reports; - We assessed the recoverable amount which is higher of fair value and value in use of the related investment properties as per the above mentioned valuation reports and ensured that appropriate impairment was recognized in the statement of comprehensive income during the year; and - We have also reviewed the adequacy of the investment properties disclosures included in the accompanying financial statements.

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

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
IFRS 9 "Financial instruments" The International Accounting Standards Board ("IASB") issued IFRS 9 – 'Financial Instruments' which replaces IAS 39 – 'Financial Instruments' in three phases as follows: Phase 1 – Classification and measurement of financial assets and financial liabilities; Phase 2 – Impairment methodology; and Phase 3 – Hedge accounting As at 31 December 2020, the carrying value of the rent receivables amounted to SR 39,694,948 (2019: SR 5,196,685) after accounting for the allowance for ECL amounting to SR 16,769,652 (2019: SR 3,965,312). We considered this a key audit matter since the assessment to determine the allowance for impairment requires significant judgement by the Fund Manager and the potential impact of impairment could be material to the financial statements. Key judgement areas included are as follows: • The interpretation of the requirements to determine impairment under IFRS 9, which is reflected in the Fund's expected credit loss model. • The identification of exposures with a significant deterioration in credit quality. • Assumptions used in the expected credit loss model such as financial condition of the counterparty, expected future cash flows & forward looking macroeconomic factors. *The Fund's policies for impairment of financial assets held at amortised cost are disclosed in note 4.3 and related disclosures about the above-mentioned key audit matter are included in note 6 of the accompanying financial statements.*	With respect to classification, measurement and impairment methodology of financial assets and financial liabilities, our audit procedures comprised the following: - Read the Fund Manager's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9; - Checked the appropriateness of the Fund Manager's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages; - Checked and understood the key data sources and assumptions for data used in the Expected Credit Loss ("ECL") models used by the Fund Manager to determine the impairment provisions; - For forward looking assumptions used by the Fund Manager in ECL calculations, we held discussions with Fund Manager and corroborated the assumptions using publicly available information; - Involved internal experts to assist in the evaluation of the assumptions used in the Fund Manager's impairment model including assessments of appropriate Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") used in the ECL calculations; and - We have also assessed the financial statements disclosures of IFRS 9 included in the accompanying financial statements to determine if they were in accordance with the requirements of the standard.

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

Other Matter

The financial statements of Fund for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 22 Rajab 1441H (corresponding to 17 March 2020).

Other Information included in the Fund's 2020 Annual Report

Other information consists of the information included in the Fund's 2020 annual report, other than the financial statements and our auditor's report thereon. The Fund Manager is responsible for the other information in its annual report.

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

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

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement issued by SOCPA, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Alluhaid & Alyahya Chartered Accountants

Turki A. Alluhaid
Certified Public Accountant
Registration No. 438

Riyadh: 5 Sha'ban 1442H
(18 March 2021)

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Al RAJHI REIT FUND
(Managed by Al Rajhi Capital)
STATEMENT OF FINANCIAL POSITION

	Note	*31 December 2020 SR*	*31 December 2019 SR*
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	**125,000**	125,000
Rental income receivable	6	**39,694,948**	5,196,685
Investment measured at fair value through profit or loss	7, 13	**63,875,997**	-
Advance for investments measured at fair value through profit or loss	7	**946,241**	40,041,193
Accrued rental income		**8,055,180**	-
Prepayment and other assets		**2,931,676**	38,990,418
TOTAL CURRENT ASSETS		**115,629,042**	84,353,296
NON-CURRENT ASSETS			
Investment properties	8, 13	**2,207,965,655**	2,301,847,933
TOTAL ASSETS		**2,323,594,697**	2,386,201,229
LIABILITIES			
CURRENT LIABILITIES			
Deferred rental income		**12,766,899**	9,036,161
Accrued expenses and other liabilities	10	**7,979,539**	7,041,390
Accrued management fee	12	**12,613**	431,015
Borrowings – current portion	12	**145,406,600**	254,500,000
TOTAL CURRENT LIABILITIES		**166,165,651**	271,008,566
NON-CURRENT LIABILITIES			
Borrowings – non current portion	12	**645,847,999**	536,753,536
TOTAL LIABILITIES		**812,013,650**	807,762,102
NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS		**1,511,581,047**	1,578,439,127
Units in issue (number)	11	**161,856,857**	161,856,857
Per unit value (SR)		**9.34**	9.75
Per unit fair value (SR)	9.4	**9.75**	9.91

The accompanying notes 1 to 21 form an integral part of these financial statements.

Al RAJHI REIT FUND
(Managed by Al Rajhi Capital)

STATEMENT OF COMPREHENSIVE INCOME

	Note	*For the year ended 31 December 2020 SR*	*For the year ended 31 December 2019 SR*
INCOME			
Rental income from investment properties	5.13	**168,855,514**	115,934,466
TOTAL INCOME		**168,855,514**	115,934,466
EXPENSES			
Depreciation expense on investment properties	8	**(29,213,979)**	(17,934,707)
Management fee	12	**(18,204,172)**	(13,450,101)
Provision for doubtful rent receivables	6	**(12,804,340)**	(3,965,312)
Other expenses		**(6,266,929)**	(6,400,905)
TOTAL EXPENSES		**(66,489,420)**	(41,751,025)
OPERATING PROFIT		**102,366,094**	74,183,441
Finance cost	12	**(26,524,743)**	(19,374,717)
Other income		**301,426**	117,082
Realized gain from investment measured at fair value through profit or loss	7	**838,842**	1,178,227
Unrealized gain from investment measured at fair value through profit or loss	7	**370,915**	-
PROFIT FOR THE YEAR		**77,352,534**	56,104,033
Impairment on investment properties	8	**(64,900,754)**	-
PROFIT FOR THE YEAR AFTER IMPAIRMENT		**12,451,780**	56,104,033
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,451,780**	56,104,033

The accompanying notes 1 to 21 form an integral part of these financial statements.

Al RAJHI REIT FUND
(Managed by Al Rajhi Capital)

STATEMENT OF CHANGES IN NET ASSETS

	Note	*For the year ended 31 December 2020 SR*	*For the year ended 31 December 2019 SR*
NET ASSET VALUE ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDER AT THE BEGINNING OF THE YEAR		**1,578,439,127**	1,250,411,446
Profit for the year		**12,451,780**	56,104,033
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**12,451,780**	56,104,033
CHANGES FROM UNIT TRANSACTION:			
- Subscription of units - cash		-	116,615,435
- Subscription of units - for consideration during the year		-	232,359,547
		-	348,974,982
Dividends distribution during the year	12, 16	**(79,309,860)**	(77,051,334)
NET ASSET VALUE ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDER AT THE END OF THE YEAR		**1,511,581,047**	1,578,439,127

Transactions in units for the year ended are summarized as follows:

	Note	*For the year ended 31 December 2020 SR*	*For the year ended 31 December 2019 SR*
UNITS AT THE BEGINNING OF THE YEAR		**161,856,857**	122,200,609
- Subscription of units - cash		-	13,251,754
- Subscription of units - for consideration during the year		-	26,404,494
UNITS AT THE END OF THE YEAR	11	**161,856,857**	161,856,857
NET ASSETS VALUE PER UNIT AT THE END OF THE YEAR	9.4	**9.34**	9.75

The accompanying notes 1 to 21 form an integral part of these financial statements.

Al RAJHI REIT FUND
(Managed by Al Rajhi Capital)
STATEMENT OF CASH FLOWS

	Note	*For the year ended 31 December 2020* *SR*	*For the year ended 31 December 2019* *SR*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year after impairment		**12,451,780**	56,104,033
Adjustment to reconcile net profit to net cash from operating activities:			
Impairment on investment properties	8	**64,900,754**	-
Depreciation expense on investment properties	8	**29,213,979**	17,934,707
Provision for doubtful rent receivable	6	**12,804,340**	3,965,312
Realized gain from investments measured at fair value through profit or loss	7	**(838,842)**	(1,178,227)
Unrealized gain from investments measured at fair value through profit or loss	7	**(370,915)**	-
		118,161,096	76,825,825
Working capital adjustments:			
Rental income receivable, net		**(60,240,805)**	(1,924,185)
Accrued rental income		**(8,055,180)**	-
Prepayment and other assets		**36,058,742**	(37,335,310)
Accrued management fee		**(418,402)**	(2,525,745)
Deferred rental income		**3,730,738**	(6,056,188)
Accrued expenses and other liabilities		**938,149**	(4,460,278)
Due from related parties		-	5,472,714
Due to related parties		-	(3,496,035)
Net cash flows from operating activities		**90,174,338**	26,500,798
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	8	**(232,455)**	(420,813,040)
Purchase of investment measured at fair value through profit or loss	7	**(239,713,781)**	(95,809,666)
Sale of investment measured at fair value through profit or loss	7	**177,047,541**	156,378,353
Advance for investments measured at fair value through profit or loss	7	**39,094,952**	(40,041,193)
Net cash flows used in investing activities		**(23,803,743)**	(400,285,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	12, 16	**(66,371,658)**	(77,051,334)
Subscription of units	11	-	116,615,435
Borrowings	12	**1,063**	334,339,936
Net cash flows (used in) from financing activities		**(66,370,595)**	373,904,037
MOVEMENT IN CASH AND CASH EQUIVALENTS		-	119,289
Cash and cash equivalents at the beginning of year		**125,000**	5,711
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**125,000**	125,000
NON-CASH TRANSACTIONS			
Purchase of investment properties through subscription of units	11	-	232,359,547
Dividends netted off with rent receivable	12, 16	**12,938,202**	-

The accompanying notes 1 to 21 form an integral part of these financial statements.

1 CORPORATE INFORMATION

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

The Fund is managed by Al Rajhi Capital (the "Fund Manager"), a saudi closed joint stock company with commercial registration no.1010241681, and an authorized person licensed by the Capital Market Authority ("CMA") under license no. 07068-37 dated 25 June 2007. The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia.

The Fund currently has a diversified portfolio of 18 properties (31 December 2019: 18 properties) across various sectors such as retail, education, commercial offices, logistics and healthcare.

The Fund's Manager's registered office is King Fahd Branch Road, Al Muruj District, Riyadh 12214, Kingdom of Saudi Arabia.

2 REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA, detailing requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Comparative information

The Fund has presented the comparative information for the year ended 31 December 2019.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Useful lives of investment properties

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

4.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The provision of impairment on investment properties are disclosed in note 8.3.

4.3 Impairment of financial assets held at amortized cost

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

ECLs are recognized in three stages. The expected credit loss rates are based on the payment profile of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in these factors.

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

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

Loss Given Default: It is defined as the percentage risk of exposure that is not expected to be recovered in the event of default. It is usually expressed as a percentage of the EAD. This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral.

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

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

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.4 Fair value measurement

The Fund measures its investments in equity instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to 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 nonfinancial 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 fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices which is recognized as standard pricing convention within the industry.

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each statement of financial position date. Fair values of those financial instruments are disclosed in note 13 in these financial statements.

4.5 Impact of COVID 19

At the beginning of the year 2020, the presence of COVID 19 virus was confirmed, which spread all over the world causing disturbance of commercial and economic activities. Accordingly, during the year ended 31 December 2020, the Fund has received a number of requests from tenants to provide concession on the due rents until the end of precautionary measures that were implemented to contain the spread of the coronavirus outbreak (COVID-19) aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. As at 31 December 2020, the Fund Board approved to provide a discount amounting to SAR 1,692,017 to tenants who were directly affected due to restrictions related to COVID-19 pandemic. For tenants' requests that are not related to COVID-19 precautionary measures, were rejected. The Fund Manager may engage in discussion with tenants on finding other ways to support them.

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment properties valuations as of 31 December 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants. As a result, the Fund has charged an impairment amounting SR 64,900,754 due to reduced valuations of real estate (note 8.3) and has charged expected credit losses amounting SR 12,804,340 arising on the financial assets (note 6) for the year ended 31 December 2020. The impact has been treated as an impairment and an allowance for doubtful debts respectively in the financial statements.

Any changes made to valuations to estimate the overall impact of COVID-19 is subject to extremely high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

4.6 Going concern

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents
For the purpose of cash flow statement, cash and cash equivalents consist of bank balances.

5.2 Receivables
Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

5.3 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. In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

5.3.1 Initial recognition and measurement
The Fund classifies its financial assets as subsequently measured at amortized cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, and other receivables. The Fund initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

Financial asset at fair value through profit or loss
A financial asset is measured at fair value through profit or loss (fair value through profit or loss) if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;

Or

(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell;

Or

(c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund's financial assets measured at fair value through profit or loss include in this category:
Investments measured at fair value through profit or loss: These include investments in the commodity Funds to manage them on a fair value basis for investment income and fair value gains.

5.3.2 Subsequent measurement
Financial assets are subsequently measured at amortized cost or fair value through profit or loss. There are two criteria used to determine how financial assets should be classified and measured:

a) The Fund's business model for managing the financial assets; and
b) The contractual cash flow characteristics of the financial asset

A financial asset is measured at amortized cost if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Otherwise, a financial asset is measured at fair value through profit or loss.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.3 Financial instruments (continued)
5.3.2 Subsequent measurement (continued)
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss
Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

The Fund derecognizes a financial asset when the rights to the cash flows from the financial asset have expired or where the Fund has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

5.4 Impairment of non-financial assets
The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

5.5 Financial liabilities — subsequent classification and measurement
Financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. The EIR is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Fund derecognizes a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The Fund's financial liabilities include deferred rental income, accrued management fee and accrued expenses.

5.6 Offsetting of financial instruments
Financial assets and liabilities are offset with the net amount reported in the statement 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 liabilities simultaneously.

5.7 Investment properties

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

The cost less estimated residual value, if any, of investment properties is depreciated on a basis over fie estimated useful lives of the assets. Land, on the other hand, is reported at cost. The fair value of investment properties is disclosed in note 9 and 13 in these financial statements.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

5.13 Revenue recognition
The Fund recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15, *Revenue from Contracts with Customers:*

Step 1. Identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:
- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognized.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5.15 Custodian fee
The Fund pays a custodian a fee of 185,000 riyals annually, which is accrued on a daily basis and paid quarterly to the Custodian of the Fund.

5.16 Board of directors' fee
The Board of directors are entitled to receive SR 5,000 each per meeting annually, which is accrued on a monthly basis and paid annually to the board of directors of the Fund.

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

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

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

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

5.20 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as a finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Fund has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

5.21 Prepayments
Prepayments are carried at cost less any accumulated impairment losses, if any.

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.24 New standards, amendments and interpretations issued and effective from 1 January 2020

At the date of authorization of the financial statements, there were a number of standards and interpretations which were in issue but not yet effective. The Fund is assessing the impact of these standards and anticipates that the adoption of these standards and interpretations in future periods will not have a significant impact on its financial statements.

Description	Effective Date
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting issued on 29 March 2018	1 January 2020

In the opinion of the Board of Directors of the Fund, these standards, amendments to standards and interpretations will clearly not impact the Fund as the Fund has no application to the above-mentioned standards.

5.25 New standards, amendments and interpretations issued but not yet effective

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

Standards / amendments to standards / interpretations	Effective date
IFRS 17 Insurance Contracts	1 January 2023
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023

In the opinion of the Board of Directors of the Fund, these standards, amendments to standards and interpretations will clearly not impact the Fund. The Fund intends to adopt these standards, if applicable, when they become effective.

6 RENTAL INCOME RECEIVABLES

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

	31 December 2020 SR	*31 December 2019 SR*
Rental income receivable	**56,464,600**	9,161,997
Less: Allowance for doubtful debts	**(16,769,652)**	(3,965,312)
	39,694,948	5,196,685

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

	31 December 2020 SR	*31 December 2019 SR*
Less than 30 days	**4,947,638**	4,025,477
Between 31 to 180 days	**18,988,008**	1,367,895
More than 180 days	**32,528,954**	3,768,625
	56,464,600	9,161,997

6 RENTAL INCOME RECEIVABLES (continued)

The following is the movement of allowance for doubtful debts as at:

	31 December 2020 SR	*31 December 2019 SR*
At the beginning of the year	(3,965,312)	-
Allowance made during the year	(12,804,340)	(3,965,312)
At the end of the year	(16,769,652)	(3,965,312)

7 INVESTMENT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

31 December 2019	*Fund Manager*	*Number of units*	*Cost*	*Market Value*
Al Rajhi Commodity Fund SAR	Rajhi Capital	-	-	-

The following is the movement in investment measured at fair value through profit or loss during the year ended:

	For the year ended 31 December 2020 SR	*For the year ended 31 December 2019 SR*
At the beginning of the year	-	59,390,460
Purchase during the year	239,713,781	95,809,666
Sold during the year	(177,047,541)	(156,378,353)
Realized gain measured at fair value through profit or loss	838,842	1,178,227
Unrealized gain measured at fair value through profit or loss	370,915	-
At the end of the year	63,875,997	-

As at 31 December 2020, SR 946,241 (2019: SR 40,041,193) was paid for subscription of units in Al Rajhi Commodity Fund-SAR. These units were subsequently issued on 3 January 2021 (2019: subsequently issued on 1 January 2020) and accordingly had been accounted for as advance for investment measured at fair value through profit or loss.
All investments measured at fair value through profit or loss are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPV's"). The SPV's are holding these investments for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the investments.

8 INVESTMENT PROPERTIES

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

As at 31 December 2020

	Land ***SR***	***Building*** ***SR***	***Total*** ***SR***
Cost:			
At the beginning of the year	1,308,700,218	1,024,830,222	**2,333,530,440**
Additions during the year	-	232,455	**232,455**
At the end of the year	1,308,700,218	1,025,062,677	**2,333,762,895**
Accumulated Depreciation:			
At the beginning of the year	-	(31,682,507)	**(31,682,507)**
Charge for the year	-	(29,213,979)	**(29,213,979)**
At the end of the year	-	(60,896,486)	**(60,896,486)**
Impairment:			
Impairment on investment properties (note 8.3)	-	(64,900,754)	**(64,900,754)**
Book Value as of 31 December 2020	**1,308,700,218**	**899,265,437**	**2,207,965,655**

As at 31 December 2019

	Land *SR*	*Building* *SR*	*Total* *SR*
Cost:			
At the beginning of the year	1,087,778,260	592,579,593	1,680,357,853
Additions during the year	220,921,958	432,250,629	653,172,587
At the end of the year	1,308,700,218	1,024,830,222	2,333,530,440
Accumulated Depreciation:			
At the beginning of the year	-	(13,747,800)	(13,747,800)
Charge for the year	-	(17,934,707)	(17,934,707)
At the end of the year	-	(31,682,507)	(31,682,507)
Book Value as of 31 December 2019	1,308,700,218	993,147,715	2,301,847,933

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

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

8.3 **- The investment properties were tested for impairment and the management noted that some of the properties carrying amount are more than its recoverable amount. Accordingly, the management provided provision of impairment of SR 64,900,754 for the year ended 31 December 2020 (31 December 2019: SR nil) to adjust the value of its investment properties to its recoverable amount.**

8 INVESTMENT PROPERTIES (continued)

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

- The Jarir Al Ahsa investment is located in Riyadh and is classified as in the retail sector. This asset is now multi-tenanted since June 2018.
- The Faris International School investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.
- The Mutlaq Lulu investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Anwar Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Narjes Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Rama Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Marwah Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Madain Fahad Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Rawda Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Khamis Mushait investment is located in Khamis Mushait and is classified as in the retail sector. This asset is a triple net lease.
- The Al Andalus investment is located in Jeddah and is classified as in the commercial sector. This asset is multi-tenanted.
- The Lulu Central Logistics Warehouse investment is located in Riyadh and is classified as in the logistics sector. This asset is a triple net lease.
- The Al Salam Hospitals investment is located in Riyadh and is classified as in the healthcare sector. This asset is a triple net lease.
- The Rowad Al Khaleej International School investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.
- Rowad Al Khaleej International School investment is located in Dammam and is classified as in the sector. This asset is a triple net lease.
- The Blue Tower investment is located in Al Khobar and is classified as in the commercial sector. This asset is a triple net lease.
- The Luluah Warehouse investment is located in Riyadh and is classified as in the logistics sector. This asset is a triple net lease.
- The Baream Rowad Al Khaleej Kindergarten investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.

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

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

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

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

9.1 As at 31 December 2020, the valuation of the investment properties are as follows:

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

31 December 2019	*Appraiser 1 SR*	*Appraiser 2 SR*	*Average SR*
Investment properties	2,383,876,683	2,270,266,068	2,327,071,376

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

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

	31 December 2020 SR	*31 December 2019 SR*
Fair value of investment in real properties (note 9.1)	**2,273,890,500**	2,327,071,376
Less: Carrying value of investments in real estate properties (note 8)	**(2,207,965,655)**	(2,301,847,933)
Net impact based on fair value evaluation	**65,924,845**	25,223,443
Units in issue (numbers)	**161,856,857**	161,856,857
Impact per unit share based on fair value evaluation (SR)	**0.41**	0.16

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

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

	31 December 2020 SR	*31 December 2019 SR*
Net assets value at cost, as presented in these financial statements	**1,511,581,047**	1,578,439,127
Net impact based on real estate evaluations (note 9.2)	**65,924,845**	25,223,443
Net assets based on fair value	**1,577,505,892**	1,603,662,570

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

	31 December 2020 SR	*31 December 2019 SR*
Net assets value at cost, as presented in these financial statements	**9.34**	9.75
Impact on net asset value per unit on account of unrealized loss based on evaluations (note 9.2)	**0.41**	0.16
Net assets based on fair value	**9.75**	9.91

10 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2020 SR	*31 December 2019 SR*
Special commission payable	**2,713,653**	3,317,843
Property level accrued expenses	**894,598**	730,229
Accounts payables and accrued expense	**868,302**	995,221
VAT payable	**3,502,986**	1,998,097
	7,979,539	7,041,390

11 UNIT TRANSACTION

Transactions in units of the Fund for the year are summarized as follows:

	31 December 2020 SR	*31 December 2019 SR*
Units at the beginning of the year	**161,856,857**	122,200,609
Units issued during the year for consideration in cash	**-**	13,251,754
Units issued during the year for consideration in kind	**-**	26,404,494
Units at the end of the year	**161,856,857**	161,856,857

As at 31 December 2020, Al Rajhi Capital (the "Fund Manager") held 15,320,447 units (31 December 2019: 15,320,447 units) and Al Khaleej Training and Education Company (a related party) held 26,404,494 (31 December 2019: 26,404,494).

12 RELATED PARTY TRANSACTIONS AND BALANCE

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

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

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

		Amount of transaction		***Balance receivables/ (payable)***	
Related Party	***Nature of transaction***	***For the year ended 31 December 2020 SR***	*For the year ended 31 December 2019 SR*	***As at 31 December 2020 SR***	*As at 31 December 2019 SR*
Al Rajhi Capital	Management fee	**18,204,172**	13,450,101	**(12,613)**	(431,015)
	Financial support	**-**	(2,000,000)	**-**	-
Al Rajhi Bank	Finance cost *	**26,524,743**	19,374,717	**(2,713,653)**	(3,317,843)
	Cash at Bank **	**-**	-	**125,000**	125,000
	Loan Facility – current ***	**-**	-	**(145,406,600)**	(254,500,000)
	Loan Facility - non current ***	**1,063**	334,339,936	**(645,847,999)**	(536,753,536)
KASB Capital	Custodian fees *	**185,000**	150,209	**(96,756)**	(96,755)
Al Rajhi commodity Fund	Advance for investment measured at fair value through profit or loss	**946,241**	40,041,193	**946,241**	40,041,193
	Investment measured at fair value through profit or loss	**23,834,804**	-	**63,875,997**	-
Al Khaleej Training and Education Company	Dividends netted off with rent receivable	**12,938,202**	-	**-**	-
	Rental income and receivables	**39,684,091**	757,164	**-**	6,128,958

* Accrued finance cost and custodian fee are included in the statement of financial position under accrued expenses and other liabilities.

** As at 31 December 2020, the bank balance with an amount of SR 125,000 (31 December 2019: SR 125,000) is maintained with Al Rajhi Bank under the name of the SPV's and not under the name of the Fund.

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

12 RELATED PARTY TRANSACTIONS AND BALANCE (continued)

The Tranche 1 was successfully rolled over at its maturity on 20 December 2020 for further period of 5 years at a fixed rate of 3.07%. The new maturity date of the principal of Tranche 1 will be on 20 December 2025. Tranche 2 of the loan is secured by pledge of Al Faris International School Building. The maturity date of the principal will be on 23 March 2021. Tranche 2 carry fixed finance cost of 3.78%. The finance cost is being paid over five years on a semi-annual basis.

On 30 October 2018, the Fund has obtained a Shariah facility of SR 57,007,000 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility was 7 years. The facility was closed and merged with another facility on 9 February 2020.

On 19 August 2019, the Fund has obtained a Shariah facility of SR 57,551,000 from Al Rajhi Bank , an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 6 November 2019, the Fund has obtained a Shariah facility of SR 118,602,000 from Al Rajhi Bank , an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years. The facility was closed and merged with another facility on 3 February 2020.

On 18 December 2019, the Fund has obtained a Shariah facility of SR 92,302,508 from Al Rajhi Bank , an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 22 December 2019, the Fund has obtained a Shariah facility of SR 65,884,999 from Al Rajhi Bank , an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 4 February 2020, the previous facility of SR 118,602,000 was closed and divided into two facilities of SR 100,000,000 and SR 18,602,000. On 9 February 2020, the new facility of SR 18,602,000 was merged with existing facility of SR 57,007,000 making the total new facility of SR 75,609,000. The facilities have a variable profit rate of 3M SAIBOR+1.5%, the term of the facility was 7 years. The above drawdowns are secured by pledged of Luluah warehouse, LULU logistics warehouse, Panda Madain, Al Andalus Jeddah, Panda Khamis Mushait.

13 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.

Assets and liabilities for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

The fair value hierarchy has the following levels:

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

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

13 FAIR VALUE MEASUREMENT (continued)

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

31 December 2020	***Level 1 SR***	***Level 2 SR***	***Level 3 SR***	***Total SR***
Investment measured at fair value through profit or loss (note 7)	63,875,997	-	-	**63,875,997**
Investment properties (note 9.1)	-	2,273,890,500	-	**2,273,890,500**
Total	**63,875,997**	**2,273,890,500**	-	**2,337,766,497**

31 December 2019	*Level 1 SR*	*Level 2 SR*	*Level 3 SR*	*Total SR*
Investment properties (note 9.1)	-	2,327,071,376	-	2,327,071,376
Total	-	2,327,071,376	-	2,327,071,376

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility.

Changes in assumptions about these factors could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial instruments carried in these financial statements principally include cash and cash equivalents, rental income receivable, investment measured at fair value through profit or loss, accrued management fee, accrued expenses and Borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Fund has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

14.1 Market risk

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

14.2 Credit risk

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

	31 December 2020 SR	*31 December 2019 SR*
Rental income receivable (note 6)	**39,694,948**	5,196,685

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

14.2 Credit risk (continued)

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

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

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

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

14.3 Liquidity risk

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

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

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

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

31 December 2019	*Less than 1 year SR*	*More than 1 year SR*	*Total SR*
Deferred rental income	9,036,161	-	9,036,161
Accrued expenses and other liabilities	7,041,390	-	7,041,390
Accrued Management fee	431,015	-	431,015
Borrowing	254,500,000	536,753,536	791,253,536
TOTAL LIABILITIES	271,008,566	536,753,536	807,762,102

As at 31 December 2020, the Fund's current liabilities exceeds its current assets by SR 50,536,609 (2019: SR 186,655,270) mainly on account of loan facilities from Al Rajhi Bank, accumulated due as of 31 December 2020 by an amount of SR 145,406,600 (2019: SR 254,500,000). However, subsequent to the year end, the Fund will sign an Islamic Finance Agreement with Al Rajhi Bank, which will correct the assets liabilities mismatch existing as of 31 December 2020.

14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

14.4 Currency risk

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

14.5 Operational risk

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

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

14.6 Property risk

Property risk is the risk related to the investment properties of the Fund. The Fund's management has identified the risk that a tenant may become insolvent causing a significant loss of rental income and a reduction in the value of the associate property. To reduce this risk, the Fund reviews the financial status of all prospective tenants and decides on the appropriate measures to mitigate this risk.

15 SEGMENT REPORTING

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

16 DIVIDENDS DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 9 February 2020, the Fund's Board approved to distribute dividends for the year ended 31 December 2019 amounting to SR 0.21 per unit totaling SR 33,989,940 to its unit holders. An amount of SR 28,444,996 was paid on 27 February 2020 and the remaining amount of SR 5,544,944 was netted from the rent receivable due from Al Khaleej Training and Education Company ("unitholder"). (2019: on 11 February 2019, the Fund's Board approved to distribute dividends with regards to the six month period ended 31 December 2018 amounting to SAR 0.311 per unit totaling SAR 37,947,139 to its unit holders. The same was paid on 25 February 2019).

Furthermore, in accordance with the approved terms and conditions of the Fund on 5 August 2020, the Fund's Board approved to distribute dividends for the period ended 30 June 2020 amounting to SR 0.28 per unit totaling SR 45,319,920 to its unit holders. An amount of SR 37,926,662 was paid on 25 August 2020 and the remaining amount of SR 7,393,258 was netted from the rent receivable due from Al Khaleej Training and Education Company ("unitholder"). (2019: on 14 August 2019, the Fund's board of directors has approved to distribute a dividend with regards to the six month period ended 30 June 2019 for an amount of SAR 0.32 per unit totaling SAR 39,104,195 to its unit holders. The same was paid on 21 August 2019).

17 CHANGES IN FUND'S TERMS AND CONDITIONS

During the year ended 31 December 2020, the Fund Manager has made certain changes to the terms and conditions of the Fund stated as follows:

- Appointment of Alluhaid & Alyahya Chartered Accountants as auditor of the Fund with an annual fee of SR 55,000.

- Amendment in list of Fund Board Members as a result of resignation of Mr. Gaurav Shah.

- Amendment in list of Fund Board Members as a result of resignation of Mr. Abdulaziz Alsabt.

- Amendment in list of Fund Board Members as a result of appointment of Mr. Meshel Alshenaifi as Chairman of the Board of Directors.

- Amendment in list of Fund Board Members as a result of appointment of Mr. Assem Raqaban as non-independent Board member.

18 CONTINGENCIES

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

19 EVENTS AFTER THE REPORTING DATE

On 26 January 2021, the Fund's Board approved to distribute a dividend for the six month period from 1 July 2020 to 31 December 2020 amounting to SAR 0.28 per unit totalling SAR 45,319,920 to its unit holders.

On 21 February 2021, the Fund Manager announced a change in the Fund's Board of Directors, due to the resignation of a Fund Board member Mr. Feras Alsaid (independent member) and the appointment of a Fund Board member Mr. Abdulaziz Alomair (independent member) as of 18 February 2021.

20 LAST VALUATION DAY

The last valuation day of the year was 31 December 2020.

21 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 5 Sha'ban 1442H (Corresponding to 18 March 2021).