

**Mulkia Gulf Real-Estate REIT Fund  
Closed Investment Real Estate Traded Fund  
(Managed by Mulkia Investment Company)  
Financial Statements For the Year Ended 31 December 2018  
With Auditor's Report**

**Mulkia Gulf Real-Estate REIT Fund**  
**(Managed by Mulkia Investment Company)**  
**Financial Statements and Auditor's Report**  
**For the year ended 31 December 2018**

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### Auditors Report

#### To the Unitholders of Mulkia Gulf Real-Estate REIT Fund

#### Opinion

We have audited the accompanying financial statements of Mulkia Gulf Real-Estate REIT Fund managed by Mulkia Investment Company "The Fund manager" which comprise the statement of financial position as of 31 December, 2018, statements of profit or loss and other comprehensive income, change in net assets, and cash flows for the year then ended and the notes to the financial statements and summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mulkia Gulf Real-Estate REIT Fund as of December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and publications issued by Saudi Organization for Certified Public Accountants (SOCPA).

#### Basis of our opinion

We conducted our audit in accordance with International Standards on Auditing that 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 professional code of conduct and ethics 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 of 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. For each matter below, our description of how our audit addressed the matter is provided and treated in that context:

The key audit matter	How the matter was addressed in our audit
<p><b>First time adoption of International Financial Reporting Standards</b></p> <p>As a result of the regulatory requirement in the Kingdom of Saudi Arabia, effective 1 January 2018, the fund is required to prepare the financial statements in accordance with International Financial Reporting Standards as issued as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi organization for certified public accountants (SOCPA).</p> <p>For previous years, including the year ended 31 December 2017, the Fund Manager has prepared and issued its financial statements in accordance with generally accepted accounting standards in Saudi Arabia issued by (SOCPA). The financial statements for the year ended 31 December 2018 are the first annual financial statements of the Fund in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other issuances issued by SOCPA.</p>	<p>We performed the following procedures in respect of the transition to IFRS as endorsed in KSA:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the implementation of IFRS as endorsed in KSA, accordance with the provisions of IFRS (1) First time adoption of International Financial Reporting Standards".</li> <li>Assessed the appropriateness of the accounting policies adopted.</li> <li>Evaluated the position on technical matters, detailed implementation plans and differences in accordance with generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization of Certified Public Accountants.</li> <li>We have tested a sample of adjustments (including calculation and recording) carried out on various balances and transactions to comply to the IFRS as endorsed in Kingdom of Saudi Arabia.</li> </ul>





# RSM

RSM Allied Accountants  
Dr. Abdelgadir Bannaga & Partners Co.

The key audit matter	How the matter was addressed in our audit
<p><b>First time adoption of International Financial Reporting Standards (continued)</b></p> <p>Accordingly, the fund manager has adopted IFRS as endorsed in KSA for the first time in preparation of its financial statements for the year beginning 1 January 2018, in compliance with the requirements of IFRS (1) First time adoption of International Financial Reporting Standards, the fund's statements of financial position as at 31 December 2017 was prepared after incorporating the required adjustments to reflect the transition to IFRS as endorsed in KSA.</p> <p>We considered this to be a key audit matter because the first time adoption of International Financial Reporting Standards has an important impact on the financial statements in recognition, measurement and disclosure.</p> <p>Refer to note (12) to the financial statements for the details of transition and the reconciliation adjustment between SOCPA and IFRS as endorsed in KSA.</p>	<ul style="list-style-type: none"><li>Assessed the appropriateness of disclosures made for the impact of transition from SOCPA to IFRS as endorsed in KSA.</li></ul>
<p><b>Investment property</b></p> <p>The book value of investment property amounting to SR 714.1 Million. Investment property is stated at cost less accumulated depreciation and impairment. If any, the fund manager determines the fair value of investment property for disclosure purpose on fair value and its effect on net asset value per unit and recognize impairment if any. The valuations are performed by two independents evaluators certified by the Saudi organization for certified evaluators on semi-annual basis, the valuation of investment property reliance on estimates and assumptions such as rent value, occupancy rates, discount rates, market knowledge and historical transactions. Given the importance and complexity of the Real estate investments valuation process and its reliance on a range of estimates and assumptions, any inaccurate inputs may result in material misstatement of the financial statements and the potential impact of impairment we consider this to be a key audit matter.</p>	<p>We performed the following procedures in respect of the investment property:</p> <ul style="list-style-type: none"><li>We assessed the competence and eligibility of evaluators who are externally employed in the evaluation and their independence from fund.</li><li>Assess the accuracy of inputs used by the external evaluator.</li><li>We have verified the final evaluation reports and reconciled the average fair value of the evaluators with the financial records of the Fund.</li><li>Assessed the appropriateness of disclosures made for the investment property for the fund note (7) to the financial statements.</li></ul>

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for certified Public Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatements, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management 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**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, it is not a guarantee that an audit conducted in accordance to International Standards on Auditing that 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 a part of an audit in accordance with International Standards on Auditing that endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement 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 obtains audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk is not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management'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 funds' ability to continue as 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 are conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentations, structure and the 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 year 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.

**RSM Allied Accountants**

**Dr. Abdelgadir Bannaga and Partners Company**



Mohammed Al Nader

License No. 435

23 Jumada Al-Akhir 1440 H (28 February 2018)

Riyadh, Saudi Arabia



**Mulkia Gulf Real-Estate REIT Fund**  
**(Managed by Mulkia Investment Company)**

**Statement of Financial Position**  
**As of 31 December 2018**

	<u>Note</u>	<b>31 December 2018 SR</b>	<b>31 December 2017 (Adjusted) SR</b>
<b><u>Assets</u></b>			
Cash at Bank		<b>26,010,030</b>	18,299,137
Investment property, Net	7	<b>714,122,755</b>	598,133,267
Accounts receivable from Lease		<b>13,712,136</b>	1,614,215
Accrued revenues		<b>2,614,858</b>	222,611
Prepayments and other debit balances		<b>1,134,689</b>	54,888
<b>Total Assets</b>		<b>757,594,468</b>	618,324,118
<b><u>Liabilities</u></b>			
Long-term loan	8	<b>149,038,515</b>	-
Deferred revenue	9	<b>12,859,481</b>	11,227,292
Fees Payables		<b>5,476,294</b>	975,366
Accrued Expenses other credit balances		<b>4,088,195</b>	363,089
<b>Total Liabilities</b>		<b>171,462,485</b>	12,565,747
<b>Net assets</b>		<b>586,131,983</b>	605,758,371
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Units in issue (Number)		<b>60,000,000</b>	60,000,000
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Per unit value		<b>9.77</b>	10.10
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The accompanying notes from (1) to (17) form an integral part of these financial statements.

**Mulkia Gulf Real-Estate REIT Fund**  
**(Managed by Mulkia Investment Company)**

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 December 2018**

		<b>For the year ended 31 December 2018</b>	<b>For the period from 5 November 2017 (since inception) until 31 December 2017 (Adjusted)</b>
	<b>Note</b>	<b>SR</b>	<b>SR</b>
<b>Revenues</b>			
Investment property rental revenue		<b>55,950,060</b>	8,103,285
Other revenue		<b>43,669</b>	-
<b>Totals Revenues</b>		<b>55,993,729</b>	8,103,285
<b>Expenses</b>			
Management fees	11	<b>(7,094,555)</b>	(930,129)
Custodian fees		<b>(278,794)</b>	(70,236)
Investment property depreciation	7	<b>(7,541,897)</b>	(931,205)
Financing costs	8	<b>(6,078,524)</b>	-
Acquisition fees	11	<b>(950,000)</b>	-
Financing structure fees	11	<b>(453,000)</b>	-
Other administrative expenses		<b>(1,108,343)</b>	(413,344)
<b>Total Expenses</b>		<b>(23,505,113)</b>	(2,344,914)
<b>Net profit from operations</b>		<b>32,488,616</b>	5,758,371
Impairment on investment property	7	<b>(15,215,004)</b>	-
<b>Net profit for year / period</b>		<b>17,273,612</b>	5,758,371
Other comprehensive income items		-	-
<b>Total comprehensive income for the year / period</b>		<b>17,273,612</b>	5,758,371

The accompanying notes from (1) to (17) form an integral part of these financial statements.



**Mulkia Gulf Real-Estate REIT Fund**  
**(Managed by Mulkia Investment Company)**

**Statement of Change in Net Assets**  
**For the year ended 31 December 2018**

	<b>For the year ended 31 December 2018</b>	<b>For the period from 5 November 2017 (since inception) until 31 December 2017 (Adjusted)</b>
	<b>SR</b>	<b>SR</b>
<b>Net assets at the beginning for the year / period</b>	<b>605,758,371</b>	<b>-</b>
<b>Net profit for the year / period</b>	<b>17,273,612</b>	<b>5,758,371</b>
Cash dividend during the year / period	<b>(36,900,000)</b>	<b>-</b>
<b>Change from units' transactions</b>		
Proceeds from issuance of units	-	600,000,000
Net change from units' transactions	-	600,000,000
<b>Net assets at the end for the year/ period</b>	<b>586,131,983</b>	<b>605,758,371</b>

**Units Transactions**

Transactions in units are summarized for the year / period as follows:

	<b>For the year ended 31 December 2018</b>	<b>For the period from 5 November 2017 (since inception) until 31 December 2017</b>
	<b>Units</b>	<b>Units</b>
Units at the beginning for the year / period	<b>60,000,000</b>	<b>-</b>
Units sold	-	60,000,000
Units redemption	-	-
Net increase in units	<b>60,000,000</b>	<b>60,000,000</b>
Units at the end for the year / period	<b>60,000,000</b>	<b>60,000,000</b>

The accompanying notes from (1) to (17) form an integral part of these financial statements.

**Mulkia Gulf Real-Estate REIT Fund**  
**(Managed by Mulkia Investment Company)**

**Statement of Cash Flows**  
**For the year ended 31 December 2018**

	For the year ended 31 December 2018 SR	For the period from 5 November 2017 (since inception) until 31 December 2017 (Adjusted) SR
<b>Cash flows operating activities</b>		
Net profit for the year/ period	17,273,612	5,758,371
<b>Adjustments to reconcile net profit from operations with net cash generated from operating activities:</b>		
Investment property depreciation	7,541,897	931,205
Deferred financing costs amortization	138,515	-
Financing costs	6,078,524	-
Impairment on investment property	15,215,004	-
	<u>46,247,552</u>	<u>6,689,576</u>
<b>Change in operating assets and liabilities</b>		
Accounts receivable from Lease	(12,097,921)	(1,614,215)
Prepayments and other debit balances	(1,079,801)	(54,888)
Accrued revenue	(2,392,247)	(222,611)
Deferred revenue	1,632,189	11,227,292
Fees Payables	4,500,928	975,366
Accrued Expenses other credit balances	(284,390)	363,089
<b>Net cash generated from operating activities</b>	<u>36,526,310</u>	<u>17,363,609</u>
<b>Cash flows investing Activities</b>		
Investments property	(138,746,389)	(599,064,472)
<b>Net cash used in investing activities</b>	<u>(138,746,389)</u>	<u>(599,064,472)</u>
<b>Cash flows financing Activities</b>		
Proceeds from issuance of units	-	600,000,000
Long-term loan	151,000,000	-
Dividends	(36,900,000)	-
Payment of deferred financing costs	(2,100,000)	-
Financing costs paid	(2,069,028)	-
<b>Net cash generated from financing activities</b>	<u>109,930,972</u>	<u>600,000,000</u>
<b>Net increase in cash at bank</b>	7,710,893	18,299,137
Cash at bank at the beginning for the year / period	18,299,137	-
<b>Cash at bank at the end for the year / period</b>	<u>26,010,030</u>	<u>18,299,137</u>

The accompanying notes from (1) to (17) form an integral part of these financial statements

**1- Fund Activities**

Mulkia Gulf Real-Estate REIT Fund (The Fund) is a closed ended Shariah compliant real estate investment traded fund. The objective of the fund is acquisition of pre-developed real estate properties in order to obtain regular and frequent rental income and distribute a minimum of 90 percent of fund's net income to unit holders during the lifetime of the fund at least once annually within 90 days after financial year end which ends on December 31 each year.

The Fund was started its operations on 16 Safar 1439 H (corresponding to 5 November 2017).

The fund is managed by Mulkia Investment Company. The books and records of the Fund are maintained in Saudi Riyals (SR).

**2- Regulating authority**

The Fund is governed by the Real Estate Investment Fund Regulations (the regulations) and instructions for Real-Estate Funds issued by CMA on 19 Jumada Al Thani 1427 H (corresponding to 15 July 2006) and 23 Muharram 1438 H (corresponding to 24 October 2016) respectively, detailing requirements for all real state funds operations within the Kingdom of Saudi Arabia must follow.

**3- Effective accounting standards**

These financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Certified Public Accountants.

**4- Adoption of new International Financial Reporting Standards, and Amendments**

These financial statements are the first financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are the first annual financial statements in accordance with International Financial Reporting Standards (IFRSs) and IFRS 1, " First Time Adoption of International Financial Reporting Standards " as endorsed in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization of Certified Public Accountants.

For the year ended 31 December 2017, the Fund has prepared its financial statements in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants.

Accordingly, the financial statements of the fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as of 31 December 2018, with the comparative statement of financial position as of 31 December 2017 (Note 12).

**5- New Standards, Amendments and Standards Issued and not Yet Effective**  
**IFRS 16 Leases (Effective from 1/1/2019)**

This Standard is effective for annual periods beginning on or after 1 January 2019. Early adaption is permitted but is not applied by Fund when preparing these financial statements.

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The adoption of this standard in subsequent periods is not expected to have a material financial impact on the financial statements of the Fund.



**Notes to the financial statements**  
**For the year ended 31 December 2018 (Continued)**

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**6- Significant accounting policies**

The significant accounting policies adopted are as follows:

**Accounting convention**

The financial statements are prepared under the historical cost convention and accrual basis of accounting, therefore no modifications on fair value in these financial statements.

**Revenues recognition**

Revenues from the sale of development property and investments property are recognized when the significant risks and rewards have been transferred through a legal title deed or legally enforceable declaration of ownership to the buyer, where the probability of collection of the consideration is probable and the amount of revenue can be measured reliably.

Revenues rents are recognized on straight-line basis over the renting period and according to accrual basis.

**Cash at bank**

Cash and bank balances include cash balances, banking murabhat and other investments which can be liquidated in three months or less.

**Development Property**

Acquired, constructed, or under construction properties is classified as development property. Costs of development property include cost of the land, and other development costs, the property is ready upon completion and delivery of all activities related to the property including the infrastructure and facilities for the entire project. Fund's management reviews the carrying amounts of development property at each statement of financial position date. An impairment loss, if any, is recognized for the amount by which the carrying amount of the assets exceeds its net realizable value.

**Investment property**

Investment property is recognized and represented in the buildings and lands which are used for rental purposes by cost less accumulated depreciation, and impairment losses if any, there are no depreciation of lands. building depreciation is computed using the straight-line method over its estimated useful lives based on the following useful lives.

<u>Description</u>	<u>Years</u>
Buildings	40 Years

The fair value of investments property is disclosed in the notes to the financial statements.

**Impairment**

Impairment loss is recognized (if any), for the excess amount in asset book value over its net realizable value.

**Accounts payable**

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

**Zakat and income tax**

Zakat and income tax are considered to be the obligation of the unit holders and Accordingly, no provision is made in the accompanying financial statements.

**Notes to the financial statements**  
**For the year ended 31 December 2018 (Continued)**

**6- Significant accounting policies (continued)**

**Foreign currencies**

Transactions in foreign currencies are translated into Saudi Riyals (SAR) at the rates of exchange prevailing at the dates of the transaction. Assets and liabilities in foreign currencies at statement of financial position date are retranslated into Saudi Riyals (SAR) at the rates of exchange ruling at that date. Resulting exchange gains and losses are recognized in the statement of profit or loss.

**Expenses**

Expenses are recognized on an accrual basis. The management fees are charged at an agreed rate with the fund Manager. These expenses are calculated and accrued semi-annually, and these expenses are charged to the statement of profit or loss.

**Net asset value**

Net assets value per unit, as disclosed in statement of changes in net assets is calculated by divided the net assets of the fund by the numbers of units in issue at the end of year/ period.

**7- Investments property, Net**

The composition of the investments property by historical cost is as follows:

	<b>Lands on which buildings are constructed SR</b>	<b>Buildings SR</b>	<b>Projects under construction SR</b>	<b>Total SR</b>
<b>Cost</b>				
Beginning for the year	369,735,437	229,329,035	-	599,064,472
Additions during the year	<b>22,193,264</b>	<b>100,990,625</b>	<b>15,562,500</b>	<b>138,746,389</b>
End for the year	<b>391,928,701</b>	<b>330,319,660</b>	<b>15,562,500</b>	<b>737,810,861</b>
<b>Accumulated depreciation</b>				
Beginning for the year	-	931,205	-	931,205
Depreciation for the year	-	<b>7,541,897</b>	-	<b>7,541,897</b>
End for the year	-	<b>8,473,102</b>	-	<b>8,473,102</b>
Impairment on investment property	<b>(9,208,317)</b>	<b>(5,013,687)</b>	<b>(993,000)</b>	<b>(15,215,004)</b>
<b>Net book value</b>				
<b>As of December 31, 2018</b>	<b>382,720,384</b>	<b>316,832,871</b>	<b>14,569,500</b>	<b>714,122,755</b>
As of December 31, 2017	369,735,437	228,397,830	-	598,133,267

The investment property is presented at historical cost. The fair value of investment property is based on an average of two market value evaluations prepared by independent evaluators. These values which are based on the estimates of the independent evaluators are subject to their estimation uncertainties.



**Notes to the financial statements**  
**For the year ended 31 December 2018 (Continued)**

**7- Investments property, Net (Continued)**

The investment property represents as follows:

- Yasmeen property: represents a residential property located on El-Yasmeen District in north of Riyadh.
- Teknaya commercial industrial Compound: represents a commercial industrial compound consisting of five car maintenance centers, and 2 car showrooms and a spare parts sales center located southeast of Riyadh.
- Dinar property: represents a commercial property located on El-Zahraa District in Jeddah.
- West Avenue property: represents a commercial property located on El-Faysalia District in Dammam.
- Vivienda Compound: represents hotel villas compound located on Prince Faisal Bin Fahad Bin Abdul Aziz Road in Al-Hada district in Riyadh city.
- Khamis Mushait: represents a commercial property in Khamis Mushaitcity .
- Al-Shara'a land Project in Jeddah: represents a commercial property project in Jeddah.

Title deed of real estate property was registered in the name of Tamdeen El Ola Real Estate Company, the company was established for registration and custody of fund's assets based on CMA decision No. 1/6/4902/17 dated 28 September 2017. The land assets of the Yasmeen Building, the Teknaya Compound, the Dinar property and the West Avenue property were mortgaged to Al Bilad Real Estate Company (a subsidiary of Bank Al-Bilad) as collateral for the Fund's financing (note 8).

**8- Long-term loan**

The fund obtained a credit facility from Bank Al-Bilad in the amount of SR300,000,000 to finance the activities of the Fund by guarantee that the properties deed mortgaged invested in the Fund is subject to financing in the name of Al Bilad Real Estate Company with a coverage rate of not less than 175% from the facility amount, The balance use of the loan as of December 31, 2018 is SR 151,000,000, and the amount of the financing will be paid by one installment after five years from the date of the first draw. The Fund shall bear semi-annual financing fees.

The movement of the finance is as the following:

	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>SR</b>	<b>SR</b>
Balance at the beginning of the year	-	-
Used during the year	<b>151,000,000</b>	-
(Less)		
Deferred financing costs	<b>(1,961,485)</b>	-
	<b>149,038,515</b>	-

**9- Deferred revenue**

Deferred revenue is represented in the revenue from investment property rental contracts which does not belong to the year ended December 31,2018.



**Notes to the financial statements**

**For the year ended 31 December 2018 (Continued)**

**10- Effect on net assets value if investment property is fair valued**

In accordance with Article 22 of the Real Estate Investment Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the fund manager should be evaluating the fund's assets based on an average of two valuations prepared by independent evaluators. As set out in the terms and conditions of the fund, net assets values declared and management fees calculations are based on the market values obtained. However, in accordance with International Financial Reporting Standards as endorsed in kingdom of Saudi Arabia, investment property is carried at lower of the cost or net realizable value in these financial statements.

The fair value of the development properties is determined by two evaluators, ISNAD company for property evaluation and Partners (Independent evaluator certified by the Saudi organization for certified evaluators) License Holder No. 1210000184 and ISTNAD office for property evaluation (Independent evaluator certified by the Saudi organization for certified evaluators) License Holder No. 1210000037.

The average valuation of investment property as of December 31, 2018 is SR 720,34 Million (December 31, 2017 is SR 587,28 Million).

- 1- The unrealized gain / (loss) on properties based on properties evaluations (fair value) as follows:

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>
Fair value of investment property	<b>720,337,040</b>	587,276,384
Net book value of investment property (Note 7)	<b>(714,122,755)</b>	(598,133,267)
Unrealized gains / (losses) based on property evaluations	<b>6,214,285</b>	(10,856,883)
Units in issue	<b>60,000,000</b>	60,000,000
<b>Per unit share in unrealized gains / (losses) based on property evaluations</b>	<b>0.10</b>	(0.18)

- 2- The net assets values using the fair values of the properties as follows:

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>
Net assets value at cost as stated in these financial statements	<b>586,131,983</b>	605,535,760
Unrealized gains/ (losses) based on real estate evaluations (Note 10-1)	<b>6,214,285</b>	(10,856,883)
<b>Net assets value based on fair value</b>	<b>592,346,268</b>	594,678,877

- 3- The net assets value per unit using the fair values of properties as follows:

	<b>31 December 2018 SR</b>	<b>31 December 2017 SR</b>
Net assets value per unit at cost as stated in these financial statements	<b>9.77</b>	10.09
Impact on net assets value per unit on account of unrealized gains/ (losses) based on real estate evaluations	<b>0.10</b>	(0.18)
<b>Net assets value per unit at fair value</b>	<b>9.87</b>	9.91

**Notes to the financial statements**  
**For the year ended 31 December 2018 (Continued)**

**11- Transactions with related parties**

The Fund pays the fund manager a management fees of 1 % per annum calculated on the total assets of the fund after deduct the expenses, calculated and paid semi-annually for the purpose of calculating management fees is based on the fair value of investment property. (Note 10).

Significant related parties transactions during the year are described as follows:

Related Party	Nature of transactions	Amount of transactions for the year ended 31 December 2018	Due balances as at 31 December 2018	Due balances as at 31 December 2017
		SR	SR	SR
Mulkia Investment Company	Management fees	7,094,555	3,842,436	930,129
	Acquisition fees	950,000	950,000	-
	Restructure fees	453,000	453,000	-
	Paid expenses	77,474	77,474	-

The unit holders' account as of 31 December 2018 include 1,500,000 units held by the Fund Manager (31 December 2017: 1,500,000 units).

**12- First time adoption of IFRS**

As stated in note (4) these financial Statements for the year ended 31 December 2018, are the first annual Financial Statements prepared by the fund in accordance with IFRS, whereas for the period from inception date until December 31, 2017, the fund prepared it in accordance with the accounting standards promulgated by SOCPA.

Accordingly, the fund has prepared the financial statements that comply with IFRS as of 31 December 2018, with the comparative statements of financial position as of 31 December 2017, the notes from (12-1) to (12-3) set out an explanation of adjustments done by the fund issued in accordance with Saudi Organization of Certified Public Accountants (SOCPA) including statement of financial position as of December 31, 2017.

**12-1 Effect of implementation and reclassification on statement of financial position in 31 December 2017:**

	Amounts previously reported 31 December 2017	Effect of reclassification	Balance after adjustments 31 December 2017
	SR	SR	SR
Accrued revenues	-	222,611	222,611
Net assets	605,535,760	222,611	605,758,371

**12-2 Effect of implementation and reclassification on statement of profit or loss and other comprehensive income from inception date until 31 December 2017:**

	Amounts previously reported 31 December 2017	Effect of reclassification	Balance after adjustments 31 December 2017
	SR	SR	SR
Rental revenues	7,880,674	222,611	8,103,285



**Notes to the financial statements**  
**For the year ended 31 December 2018 (Continued)**

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**12-3 Explanation for the adjustments**

Rental revenues for investment property have been restated on a straight-line basis over the term of the lease, resulting in an increase of rental leases of SR 222,611 with an increase in the amount of accrued revenue in the same amount in accordance with International Accounting Standard 17, "Leases".

**13-Fair value of financial instruments**

Fair value is the amount for which the asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments are comprising of financial assets and financial liabilities.

The Fund uses the following hierarchy to determine and disclose the fair value of investment property:

First level: Market prices which stated in active markets for the same property (without modification or refilling).

Second level: Market prices which stated in active markets for same assets and liabilities, or other valuation techniques are based on significant inputs and that can be observable directly in the market.

Third level: Valuation techniques are based on significant inputs that effect on fair value and cannot be observable directly or indirectly in the market.

The valuation of fair value of the investment property in level 3.

**14-Risks Management**

**Credit risks**

Is the inability of a party to meet its obligations resulting in the other party having suffered a financial loss, the Fund does not have a significant concentration of credit risk. Cash is deposited with a local bank with a high credit rating.

**Commissions prices risks**

Risks arising from the fluctuation of the value of financial instruments is the result of fluctuations in commissions prices prevailing in the market. The Fund has no significant assets or liabilities associated with commissions prices as of 31 December 2018.

**Currencies risks**

Risks that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management monitors foreign currency exchange rates. The Fund is not subject to currencies risks since all the significant transactions are in Saudi Riyals.

**Liquidity risks**

Risks that "the Fund" will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risks may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Fund manages its liquidity risks by ensuring that sufficient bank balances and cash are available.

**15-Last valuation day**

The last valuation day for the year was 31 December 2018 (31 December 2017:31 December 2017).

**16-General**

The figures in these financial statements are rounded to the nearest Saudi Riyal.

**17- Approval of financial statements**

These financial statements were approved by the Fund Manager on Jumada Al-Akhir 23,1440H (February 28, 2019).