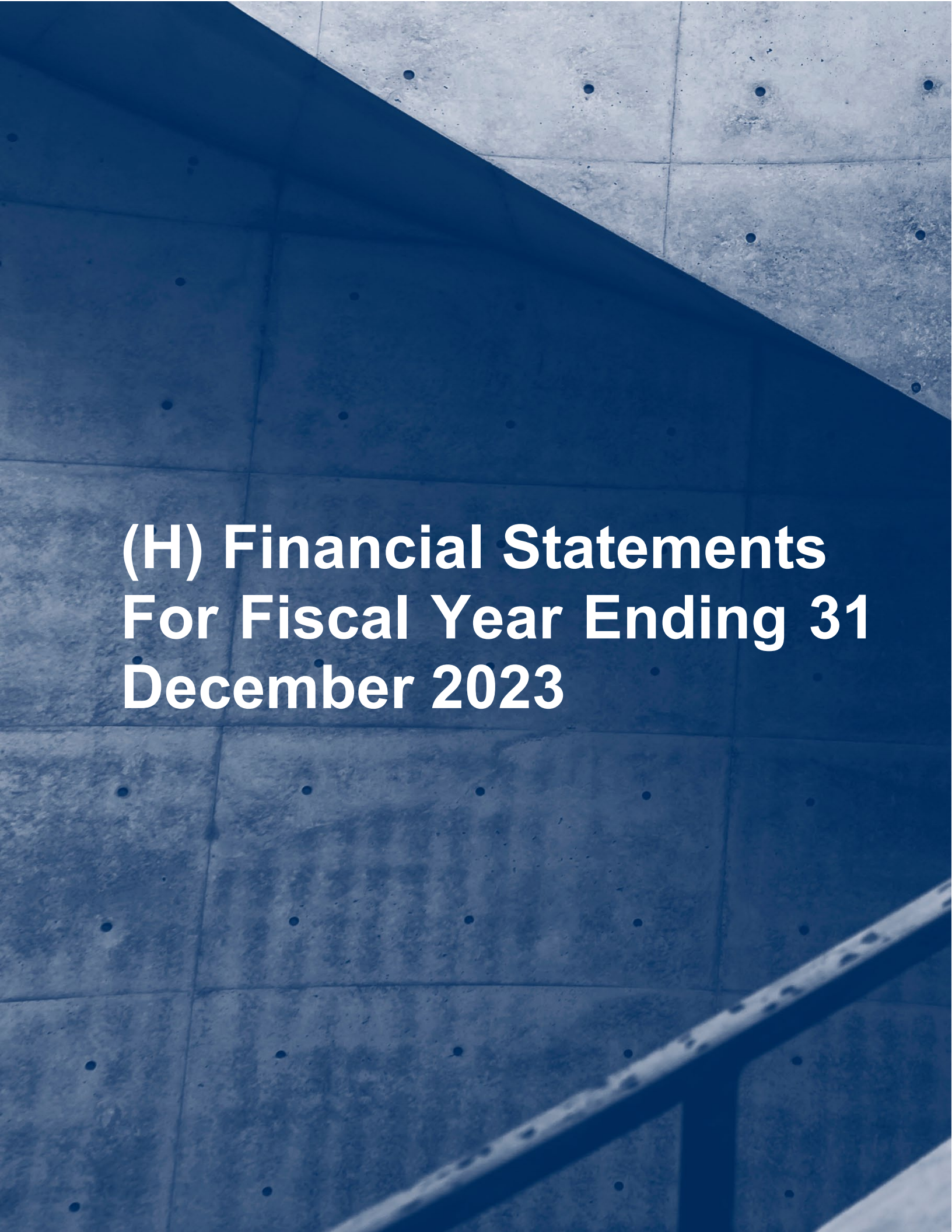

(H) Financial Statements For Fiscal Year Ending 31 December 2023

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ALKHABEER REIT FUND – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2023

ALKHABEER REIT FUND – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To: The Unitholders
Alkhabeer Reit Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of **Alkhabeer Reit Fund (a real estate investment traded fund) ("The Fund") managed by Alkhabeer Capital Company ("The Fund Manager")**, which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity attributable to unitholders and statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 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, we do not provide a separate opinion on these matters. Below are the descriptions of each key audit matter and how our audit procedures addressed the matters mentioned:

Key Audit Matters	How We Addressed Key Audit Matters
Investment properties and right of use asset Impairment of investment properties and right of use asset. As at 31 December 2023, the book value of investment properties and right of use asset held by the Fund amounted to SAR 1.821 million (2022: SAR 1.845 million).	Our audit procedures in response to the assessed risk of material misstatement in the valuation of investment properties and right of use asset comprised of: ▪ Obtained an understanding of the management processes for identification and mitigation of the severity of valuation risk.

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Independent Auditor's Report - continued

To: The Unitholders
Alkhabeer Reit Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key Audit Matters	How We Addressed Key Audit Matters
Investment properties and right of use asset is measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties is presenter at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investment property and right of use asset is disclosed along with its impact on net assets per unit. In accordance with the requirements of relevant IFRSs of impairment on its properties at each reporting date. In case such indicators are identified, the recoverable amount of these properties must be determined. As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including, but not limited to, net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts require the use of complex valuation techniques. Since the evaluation of impairment indicators and recoverable amounts, where necessary, involves the exercise of significant judgment, it was consider a key audit matter. Notes 8 and 9 to the financial statements illustrate significant judgements and assumptions applied in the determination of the recoverable amounts of the investment properties and right of use asset and note 4 illustrates the details of related accounting policies.	▪ Performed test of details on capitalized costs and ensured that all costs are appropriately capitalized. ▪ Assessed the Fund Manager's determination of the following: - The factors taken into consideration when assessing indicators of impairment, and - The base used to determine cash generating units, which is the level used to calculate the recoverable amount. ▪ Assessed the recoverable amount determined by the Fund by using valuation reports prepared by two independent valuers and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal ('fair value') and value in use. ▪ Assessed the key assumptions and estimates used, including discount rate, rental income, operating expenditures. Checked sensitivity analysis, including assessment of the effect of reasonably possible changes in the discount rate and operating expenditures on the forecasted cash flows to measure the impact. ▪ Compared the recoverable amount of each cash-generating unit with its listed book value. ▪ We have reviewed the financial statement disclosures. ▪ We have reviewed the disclosures of key assumptions and judgements.

To: The Unitholders
Alkhabeer Reit Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters (Continued)

Key Audit Matters	How We Addressed Key Audit Matters
The Fund uses valuation reports from the independent valuers appointed by the Fund Manager to measure the fair value of properties at the reporting date. We considered this as a key audit matter since the valuation requires significant judgment with respect to the appropriateness of the method used, and any inaccurate inputs in this judgment could result in material misstatement of the financial statements disclosure.	▪ Assessed the independence, professional qualifications, competence and experience of the Fund's independent valuers, also ensured the valuers were certified by the Saudi Authority for Accredited Valuers (TAQEEM). We used our specialists on this field to review the assumptions used in valuing the investment properties and right of use asset. ▪ Evaluated the observable inputs used in the valuations, such as rental income, occupancy rates, items details, and lease duration by referring to lease agreements for a sample of properties.

Other information included in the Fund's 2023 Annual Report

Other information consists of the information included in the Fund's 2023 Annual Report, other than the financial statements and our report thereon.

The Fund Board of Directors is responsible for the other information. The Fund's 2023 Annual Report is expected to be made available to us after the date of this report.

Our opinion on the accompanying financial statements does not cover the other information and we will not express any form of assurance regarding them.

Regarding our audit of the financial statements, our responsibility is to read the other information referend to above when it becomes available to us. In doing so, we consider whether this information is materially inconsistent with the accompanying financial statements, information obtained during our audit, or otherwise materially misstated.

When we read the annual report when it is available to us, and if we find any material misstatement therein, we are required to report on this matter to those charged with governance.

To: The Unitholders
Alkhabeer Reit Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

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 International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment fund regulations issued by the Capital Market Authority and the Fund's terms and conditions and information memorandum, 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 (Fund Board of Directors) 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

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

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

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

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

To The Unitholders
Alkhabeer Reit Fund – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
Jeddah, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements – continued

- 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 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 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 for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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سجل تجاري رقم ١٠١٠٤٦٦٣٥٣
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License No. 335

Ramadhan 15, 1445H (March 25, 2024)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(Expressed in Saudi Riyal)

	Note	As at December 31, 2023	2022
ASSETS			
Current assets			
Cash at banks		**27,111,669**	23,426,959
Account receivables	5	**5,664,474**	7,960,481
Prepaid expenses and other debit balances	6	**6,414,706**	6,845,857
Due from a related party	7-a	**18,781**	18,781
Total current assets		**39,209,630**	38,252,078
Non-current assets			
Right of use asset	8-a	**133,031,169**	141,475,645
Investment properties	9	**1,688,339,039**	1,703,538,613
Total non-current assets		**1,821,370,208**	1,845,014,258
Total assets		**1,860,579,838**	1,883,266,336
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Due to related parties	7-b	**6,886,432**	7,239,243
Lease liabilities – current portion	8-b	**1,082,497**	1,055,825
Accrued expenses and other credit balances	11	**55,759,944**	53,208,599
Total current liabilities		**63,728,873**	61,503,667
Non-current liabilities			
Lease liabilities – non-current portion	8-b	**13,742,239**	14,565,293
Credit facilities	10	**737,500,000**	737,500,000
Total non-current liabilities		**751,242,239**	752,065,293
Total liabilities		**814,971,112**	813,568,960
EQUITY ATTRIBUTABLE TO UNITHOLDERS		**1,045,608,726**	1,069,697,376
Total liabilities and equity attributable to unitholders		**1,860,579,838**	1,883,266,336
Number of units issued (unit)		**141,008,848**	141,008,848
Equity per unit – book value	9-c	**7.4152**	7.5860
Equity per unit – fair value	9-c	**8.4592**	8.4213

The accompanying notes from (1) to (24) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

	Note	FOR THE YEAR ENDED DECEMBER 31	
		2023	2022
Rental income	12	**123,723,817**	118,761,665
Expenses			
Properties management fees	14	**(10,686,672)**	(5,855,608)
Administration and custody fees	7-14	**(792,593)**	(790,607)
Management fees	7-14	**(8,998,722)**	(9,000,081)
Expected credit losses	5	**(2,205,336)**	(15,000,000)
Other expenses	13	**(7,191,694)**	(3,555,825)
Total expenses		**(29,875,017)**	(34,202,121)
Finance cost		**(31,825,865)**	(38,030,318)
Depreciation of investment properties and right of use asset	8-9	**(43,539,904)**	(43,407,403)
Reversal of impairment of investment properties	9	**16,652,035**	40,254,221
Profit for the year		**35,135,066**	43,376,044
Other comprehensive income		**-**	-
Total comprehensive income for the year		**35,135,066**	43,376,044

The accompanying notes from (1) to (24) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

		FOR THE YEAR ENDED DECEMBER 31	
	Note	**2023**	2022
Equity attributable to unitholders			
Equity attributable to unitholders at the beginning of the year		**1,069,697,376**	1,096,825,756
Dividends	17	**(59,223,716)**	(70,504,424)
Comprehensive income for the year		**35,135,066**	43,376,044
Equity attributable to unitholders at the end of the year		**1,045,608,726**	1,069,697,376

Transactions in units for the year are summarized as follows:

Number of units at the beginning of the year	**141,008,848**	141,008,848
Number of units at the end of the year	**141,008,848**	141,008,848

*No units were issued or disposed during the years ended December 31, 2023 and 2022.

The accompanying notes from (1) to (24) form an integral part of these financial statements.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

	FOR THE YEAR ENDED DECEMBER 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**35,135,066**	43,376,044
Adjustments:		
Depreciation of investment properties and right of use asset	**43,539,904**	43,407,403
Reversal of impairment of investment properties	**(16,652,035)**	(40,254,221)
Interest charged on lease liabilities (included in finance cost)	**782,618**	820,613
Finance cost	**31,043,247**	37,209,705
Expected credit losses	**2,205,336**	15,000,000
Changes in operating assets and liabilities:		
Account receivables	**(4,303,579)**	(7,954,355)
Prepaid expenses and other debit balances	**431,151**	8,138,224
Due to related parties	**(352,811)**	1,594,724
Accrued expenses and other credit balances	**(22,581,361)**	(24,603,692)
Net cash provided by operating activities	**69,247,536**	76,734,445
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to investment properties	**(1,767,900)**	(1,365,465)
Additions to right of use asset	**(1,475,919)**	(1,115,755)
Net cash used in investing activities	**(3,243,819)**	(2,481,220)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	**(40,023,537)**	(63,529,424)
Lease payments	**(1,579,000)**	(1,579,000)
Finance cost paid	**(20,716,470)**	(36,686,523)
Net cash used in financing activities	**(62,319,007)**	(101,794,947)
Net change in cash at banks	**3,684,710**	(27,541,722)
Cash at banks at the beginning of the year	**23,426,959**	50,968,681
Cash at banks at the end of the year	**27,111,669**	23,426,959
Non-cash items:		
Written off receivables balance against dividends	**4,394,250**	6,975,000

The accompanying notes from (1) to (24) form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

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

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

The terms and conditions of the Fund were approved by the Capital Market Authority ("CMA") on October 16, 2018 (corresponding to Safar 8, 1440 H), and the initial offering period was 15 days, starting from November 11, 2018 and ending on November 29, 2018. The Fund started its activities on December 16 2018, and the Fund was listed on Tadawul on March 20, 2019.

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

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

The Fund is subject to the Sharia Board's guidelines in its investments and transactions.

2. REGULATORY AUTHORITY

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

3. BASIS OF PREPARATION

Basis of compliance

The accompanying financial statements for the Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and the provisions specified by the Fund regulations issued by the CMA, the terms and conditions of the Fund and the information memorandum.

Basis of measurement

These financial statements of the Fund have been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern basis.

Functional and presentation currency

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

Fair value measurement

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

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

Assets or liabilities measured at fair value

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) New standards, amendments to standards and interpretations:

The Fund adopted the following new standards and amendments for the first time as of January 1, 2023, and the Fund Manager believes that the amendments do not have a material impact on the Fund's financial statements.

- IFRS 17 "Insurance Contracts"

This standard replaces IFRS 4, which allows for a wider range of practices in accounting for insurance contracts.

- Limited scope amendments to IAS 1, Practice Statement 2 and IAS 8

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

- Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction

Requires companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of deductible and taxable temporary differences.

- Amendment to IAS 12 - Global Tax Reform: Model Rules for Pillar 2

These amendments provide companies with a temporary exemption from accounting for deferred taxes arising from global tax reform. The amendments also include targeted disclosure requirements for affected companies.

b) Standards issued that have not yet been effective

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2024, with early application permitted, but the Fund did not apply them when preparing these financial statements. These amendments are not expected to have a material impact on the Fund's financial statements.

- Amendments to IFRS 16 - Lease Obligations on a Sale and Leaseback Basis:

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how the Fund accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on the index or price that is highly likely to be affected.

- Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current

These amendments clarify how the conditions that the Fund must comply with during the twelve months after the reporting period affect the classification of liabilities. These amendments also aim to improve the information provided by the Fund regarding the liabilities subject to these conditions.

- Amendments to IAS 7 and IFRS 7 - Supplier Financing Arrangements

These amendments require disclosures to enhance the transparency of a supplier's financing arrangements, their effects on the Fund's liabilities and cash flows, and its exposure to liquidity risk. The disclosure requirements are the IASB's response to investor concerns that some fund supplier financing arrangements are not sufficiently visible, hampering investor analysis.

- IFRS (Sustainability 1) "General requirements for the disclosure of financial information related to sustainability"

This standard includes the basic framework for disclosing material information about material risks and opportunities related to sustainability across an organization's value chain.

- IFRS (Sustainability 2) "Climate-related disclosures"

This is the first objective standard issued that sets requirements for entities to disclose information about climate-related risks and opportunities.

Cash and cash equivalents

Cash and cash equivalents includes bank balances, deposits held at call with banks with a maturity of three months.

Investment properties

Investment properties are land, buildings, or both or part of them held either to earn rental income or for capital appreciation, or both, but not for sale in the normal course of business or in use in the production, supply of goods, provision of services, or administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Investment properties are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replacing parts of investment properties and borrowing costs related to long-term

construction projects, if the evidentiary criteria are met. When it is necessary to replace significant parts of investment properties in stages, the Fund recognizes such parts as separate assets with definite useful lives and depreciated accordingly. All repair and maintenance costs are recognized in profit or loss when incurred.

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

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

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

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

Item	Useful life
Buildings	40 years

Owned lands are not depreciated.

Impairment of non-financial assets

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

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

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

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss 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 withdrawn. In this case, the fee is deferred until the withdrawn occurs.
To the extent that there is no evidence that it is probable that some or all of the facility will be withdrawn, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

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

Accrued expenses and other credit liabilities

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

Derivative financial instruments and hedge accounting

The Fund uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Interest rate swaps are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the accumulated gain or loss on the hedging instrument and the accumulated change in fair value of the hedged item.

Offsetting

Financial assets and liabilities are offset and net amounts are presented in the financial statements, when there is a legal enforceable right to offset the recognized amounts and intention to settle on a net basis, and to realize the asset and liability simultaneously.

Expenses

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

Revenue recognition

Revenue includes rental income from investment properties.

The Fund recognizes the rent resulting from the lease contracts using the straight-line method. After inception of the lease contracts, the Fund recognizes variable lease payments that are not based on a specific index or rate (payments based on performance or usage, for example) when earned. When the Fund provides incentives to its tenants, the cost of incentives is recognized using the straight-line method as a reduction for rental income.

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

Revenue is measured at the transaction price agreed upon under the contract. The disclosed amounts appear as revenue after deducting the variable consideration and payments to customers, which are not for distinct

services. This consideration may include discounts, trade allowances, deductions and amounts collected on behalf of a third party.

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

The fund recognizes revenue when a performance obligation is satisfied. The fund applies five step model given in IFRS 15 "Revenue from contract with customers" to determine when to recognize revenue which is as follows:

Step 1 – Identify the contract(s) 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 for every contract 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 Company 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 Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

Right of use asset

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

Provisions and contingent liabilities

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

Lease liabilities

At the inception date of the lease, the Fund recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the

Fund uses the internal cost of funds as the incremental borrowing rate at the lease inception date if the interest rate implicit in the lease is not readily determinable. After the inception date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduction of the lease payments presented. In addition, the carrying amount of lease liabilities is remeasured if there is an adjustment, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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

Finance costs

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

Trade receivable

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

Dividends

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

Value added tax

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

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

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

Zakat

According to the rules for Zakat levy from investors in investment funds, investment funds are not obligated to pay zakat. Instead, they are only required to submit an Information declaration on the calculation of the zakat base for the fund. Therefore, no provision is made for such liabilities in these financial statements.

Net equity per unit

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

Financial instruments

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

Financial assets

A financial asset includes the followings:

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

Classification and initial recognition

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

- Financial assets measured at fair value (either through profit or loss, or through other comprehensive income), and
- Financial assets measured at amortized cost.

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

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

At initial recognition, the Fund measures its financial asset (not classified as part of fair value through profit or loss) at fair value, plus transaction costs that are directly attributable to the acquisition of the financial asset through other comprehensive income. However, in the case of financial assets classified as part of fair value through profit or loss, transaction costs are expensed in profit or loss.

Equity instruments

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

Changes in the fair value of financial assets measured at fair value are recognized at fair value through profit and loss in profit or loss.

Debt instruments

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

- **Amortized cost**

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

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

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

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

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

Effective interest rate method

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

Impairment

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

Financial liabilities

A financial liability is classified as follows:

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

Recognition and measurement

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

Offsetting of financial instruments

Financial assets and financial 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 settle the liabilities simultaneously.

Derecognition of financial assets

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

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value measurement of financial instruments

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

Provision for expected credit losses on receivables against operating leases

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

the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The useful lives of investment properties

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

Impairment of investment properties

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its net cost to sell or value in use. For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in profit or loss.

Impairment of right of use assets

The fund manager reviews the carrying values of the right-of-use asset to determine whether there is evidence of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized if the carrying value of a right-of-use asset exceeds its recoverable value, which represents the fair value of the right-to-use asset. A right-of-use asset that has been impaired is tested for possible impairment at each reporting date. An impairment loss is reversed only to the extent that allows the carrying value of the right-of-use asset to exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Impairment losses are recognized in the statement of profit and loss.

5. ACCOUNT RECEIVABLES

	2023	2022
Account receivables	**57,869,810**	57,960,481
Expected credit losses	**(52,205,336)**	(50,000,000)
	5,664,474	7,960,481

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

	2023	2022
Balance at the beginning of the year	**50,000,000**	35,000,000
Charge for the year	**2,205,336**	15,000,000
	52,205,336	50,000,000

The aging analysis of account receivables is as follows:

	2023	2022
Up to 90 days	**1,331,334**	845,573
91 - 180 days	**3,853,978**	4,006,117
181 - 365 days	**630,409**	1,025,836
More than 365 days	**52,054,089**	52,082,955
	57,869,810	57,960,481

2023

	Total	**≤90 Days**	**91 – 180 Days**	**181 – 365 Days**	**>365 Days**
Book value	**57,869,810**	**1,331,334**	**3,853,978**	**630,409**	**52,054,089**
Loss ratio	**90.21%**	**0%**	**0%**	**23.99%**	**100%**
Impairment	**52,205,336**	**-**	**-**	**151,247**	**52,054,089**

2022

	Total	≤90 Days	91 – 180 Days	181 – 365 Days	>365 Days
Book value	57,960,481	845,573	4,006,117	1,025,836	52,082,955
Loss ratio	86.27%	0%	0%	0%	96.00%
Impairment	50,000,000	-	-	-	50,000,000

6. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2023	2022
Prepaid insurance expense	**365,910**	64,217
Value add tax deposits	**66,956**	1,072,540
Prepaid property manager fees	**-**	300,001
Prepaid development cost of properties	**-**	234,277
Custody of development expenses	**5,951,840**	4,894,822
Other debit balances	**30,000**	280,000
	6,414,706	6,845,857

7. RELATED PARTIES TRANSACTIONS AND BALANCES

Transactions with related parties represent payments on behalf of a related party, administrative fees, management fees, custody fees and compensation to the Fund's Independent Board of Directors.

a) Due from a related party comprises the following:

			Amount of transactions for the year ended December 31,		**Balance as at December 31,**	
Related party	**Nature of relationship**	**Nature of transaction**	**2023**	2022	**2023**	2022
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf	**20,703**	14,303		
		Payments	**(20,703)**	(14,303)	**18,781**	18,781
					18,781	18,781

Alkhabeer Capital Company established Awal Al Malqa Real Estate Company as a limited liability Company ("a special purpose vehicle") registered under Commercial Registration number 1010893802 on Shawwal 19, 1438 H (corresponding to July 13, 2017) for the purpose of keeping and registering investments properties related to real estate funds in the name of the Company. The Fund provided an amount of SR 20,000 as the Company's capital.

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

b) Due to related parties comprises the following:

Related party	Nature of relationship	Nature of transaction	Amount of transactions for the year ended December 31, 2023	Amount of transactions for the year ended December 31, 2022	Balance as at December 31, 2023	Balance as at December 31, 2022
Alkhabeer Capital Company	Fund Manager	Finance restructuring expenses*	**1,300,000**	-		
		Management fees	**8,998,722**	9,000,081		
		Administration fees	**299,957**	300,003		
		Payments	**(10,975,946)**	(7,849,342)	**6,230,966**	6,608,233
Alinma Investment Company	Custodian	Custody fees	**492,636**	490,604		
		Payments	**(447,180)**	(346,622)	**634,466**	589,010
Fund Board of Directors	Board of Directors	Compensations to Independent Fund Board Members	**34,000**	42,000		
		Payments	**(55,000)**	(42,000)	**21,000**	42,000
Units holder	Units holder	Written off receivable balance against dividends	**4,394,250**	6,975,000	-	-
					6,886,432	7,239,243

***** According to fund terms and conditions, the Fund manager is entitled to financing restructuring fee 1.5% of the financing amount. On 26 December 2023, an agreement was signed to amend and restructure the credit facilities where by the repayment period was extended for an additional 6 years due on 7 September 2031, with financing structuring fee amounted to SR 11 million. After getting the approval of the Fund's Board of Directors, they decided to settle for SR 1.3 million.

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

8. LEASES

a) Right of use asset

The movement in right of use asset for the Fund is as follows:

	2023	2022
Cost:		
Balance at the beginning of the year	**179,781,490**	178,665,735
Additions during the year	**1,475,919**	1,115,755
Balance at the end of the year	**181,257,409**	179,781,490
Accumulated depreciation:		
Balance at the beginning of the year	**38,305,845**	28,474,632
Charge for the year	**9,920,395**	9,831,213
Balance at the end of the year	**48,226,240**	38,305,845
Balance as at December 31	**133,031,169**	141,475,645

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

Property Name	**Property Type**	**Valuation Method**	**Property Location**	**Discount rate as at December 31,**		**Fair Value as at December 31,**	
				2023	2022	**2023**	2022
Gallery Mall	**Commercial**	**Income approach**	**Tabuk**	**11.05% - 11.32%**	11% - 11.55%	**150,345,000**	171,925,000

The valuations of right of use asset was carried out by two real estate valuers which are valuers accredited by Saudi Authority for accredited values (TAQEEM).

The Fund appointed two independent valuers for the valuation of right of use asset and are listed as follows:

	Accredited valuer	**License Number**
Whites cubes for Professional Consulting	Essam Al Husaini	1210000474
Advanced Abaad and Partner Company for Real Estate Valuation	Ammar Sindi	1210000219

b) Lease liability

The movement in lease liability is as follows:

	2023	2022
Balance at the beginning of the year	**15,621,118**	16,379,505
Paid during the year	**(1,579,000)**	(1,579,000)
Interest charge during the year	**782,618**	820,613
Total lease liability at the end of the year	**14,824,736**	15,621,118

Lease liability is as follows:

	2023	2022
Current portion	**1,082,497**	1,055,825
Non-current portion	**13,742,239**	14,565,293
Total lease liability	**14,824,736**	15,621,118

The weighted average incremental borrowing rate applied to lease liabilities was 5.01% (2022: 5.01%). The total finance cost on lease liabilities for the year ended December 31, 2023 amounted to SR 782,618 and for the year ended December 31, 2022 amounted to SR 820,613.

Right of use asset represents a lease obligation of the Gallery Mall under a lease contract and payments were made fully in advance over the duration of the contract.

9. INVESTMENT PROPERTIES

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

	2023	2022
Residential and commercial properties and land	**1,858,045,000**	1,858,045,000
Development costs	**6,746,045**	4,978,145
Accumulated depreciation	**(126,895,269)**	(93,275,760)
Accumulated impairment	**(49,556,737)**	(66,208,772)
	1,688,339,039	1,703,538,613

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

	2023	2022
Balance at the beginning of the year	**66,208,772**	106,462,993
Reversal of impairment	**(16,652,035)**	(40,254,221)
	49,556,737	66,208,772

c) The details of the movement in investment properties related to the Fund are as follow:

2023:	**Lands***	**Residential and commercial properties***	**Total**
Cost:			
Balance at January 1, 2023	**519,975,542**	**1,343,047,603**	**1,863,023,145**
Additions during the year	**-**	**1,767,900**	**1,767,900**
Balance at December 31, 2023	**519,975,542**	**1,344,815,503**	**1,864,791,045**
Accumulated depreciation:			
Balance at January 1, 2023	**-**	**93,275,760**	**93,275,760**
Charge for the year	**-**	**33,619,509**	**33,619,509**
Balance at December 31, 2023	**-**	**126,895,269**	**126,895,269**
Net book value as at December 31, 2023	**519,975,542**	**1,217,920,234**	**1,737,895,776**
Impairment			**(49,556,737)**
Balance at December 31, 2023			**1,688,339,039**

2022:	Lands*	Residential and commercial properties*	Total
Cost:			
Balance at January 1, 2022	519,975,542	1,341,682,138	1,861,657,680
Additions during the year	-	1,365,465	1,365,465
Balance at December 31, 2022	519,975,542	1,343,047,603	1,863,023,145
Accumulated depreciation:			
Balance at January 1, 2022	-	59,699,570	59,699,570
Charge for the year	-	33,576,190	33,576,190
Balance at December 31, 2022	-	93,275,760	93,275,760
Net book value as at December 31, 2022	519,975,542	1,249,771,843	1,769,747,385
Impairment			(66,208,772)
Balance at December 31, 2022			1,703,538,613

* The residential and commercial properties and lands are mortgaged with a local bank under a credit facility agreement amounted to SR 1,864,791,045 (2022: amounted to SR 1,863,023,145) (Note 10) except for Akun warehouses.

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

December 31, 2023

Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	Retail	Riyadh	79,950,000	(2,993,750)	(11,577,250)	65,379,000	65,379,000
Palazzo Center	Retail	Riyadh	95,632,500	(5,904,062)	(20,908,438)	68,820,000	68,820,000
Al-Malqa Complex	Residential	Riyadh	320,746,045	(32,749,141)	(1,841,904)	286,155,000	286,155,000
Elite Center	Multiple use	Jeddah	164,000,000	(13,255,733)	-	150,744,267	157,215,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,880,717)	(3,749,283)	66,120,000	66,120,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(7,279,520)	-	84,970,480	90,145,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(15,096,500)	-	200,153,500	208,432,000
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(3,331,333)	-	63,293,667	80,865,000
Elegance Tower	Offices	Riyadh	424,350,000	(27,531,875)	-	396,818,125	489,225,000
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(5,869,324)	(4,985,676)	96,645,000	96,645,000
Akun warehouses	Logistics	Jeddah	226,737,500	(11,003,314)	(6,494,186)	209,240,000	209,240,000
			1,864,791,045	(126,895,269)	(49,556,737)	1,688,339,039	1,818,241,000

*Movement in impairment during the year is as follows:

December 31, 2023

Property name	Accumulated impairment at the beginning of the year	Reversal impairment / (Impairment) for the year	Accumulated impairment at the end of the year
B&Q Retail Company (formerly known as Homeworks Center)	(13,771,000)	2,193,750	(11,577,250)
Palazzo Center	(21,069,250)	160,812	(20,908,438)
Al-Malqa Complex	(9,527,804)	7,685,900	(1,841,904)
Ahlan Court Center	(3,071,802)	(677,481)	(3,749,283)
Vision Educational Colleges - Jeddah	(8,978,405)	3,992,729	(4,985,676)
Akun warehouses	(9,790,511)	3,296,325	(6,494,186)
	(66,208,772)	16,652,035	(49,556,737)

December 31, 2022

Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	Retail	Riyadh	79,950,000	(2,395,000)	(13,771,000)	63,784,000	63,784,000
Palazzo Center	Retail	Riyadh	95,632,500	(4,723,250)	(21,069,250)	69,840,000	69,840,000
Al-Malqa Complex	Residential	Riyadh	318,978,145	(26,005,341)	(9,527,804)	283,445,000	283,445,000
Elite Center	Multiple use	Jeddah	164,000,000	(10,559,652)	-	153,440,348	153,915,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,498,198)	(3,071,802)	67,180,000	67,180,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(5,798,940)	-	86,451,060	89,165,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(10,567,550)	-	204,682,450	207,165,000
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(2,331,933)	-	64,293,067	75,980,000
Elegance Tower	Offices	Riyadh	424,350,000	(19,272,312)	-	405,077,688	475,050,000
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(3,521,595)	(8,978,405)	95,000,000	95,000,000
Akun warehouses	Logistics	Jeddah	226,737,500	(6,601,989)	(9,790,511)	210,345,000	210,345,000
			1,863,023,145	(93,275,760)	(66,208,772)	1,703,538,613	1,790,869,000

*Movement on impairment during the year is as follows:

December 31, 2022

Property name	Accumulated impairment at the beginning of the year	Reversal impairment / (Impairment) for the year	Accumulated impairment at the end of the year
B&Q Retail Company (formerly known as Homeworks Center)	(15,559,750)	1,788,750	(13,771,000)
Palazzo Center	(22,925,061)	1,855,811	(21,069,250)
Al-Malqa Complex	(38,457,819)	28,930,015	(9,527,804)
Elite Center	(7,516,431)	7,516,431	-
Ahlan Court Center	(5,769,320)	2,697,518	(3,071,802)
Bin 2 Center	(1,716,640)	1,716,640	-
Vision Educational Colleges - Jeddah	(8,326,135)	(652,270)	(8,978,405)
Akun warehouses	(6,191,837)	(3,598,674)	(9,790,511)
	(106,462,993)	40,254,221	(66,208,772)

The following are the major assumptions used in determining the fair value of investment properties as at December 31, 2023:

Property Name	Valuation Method	Discount Rate
B&Q Retail Company (formerly known as Homeworks Center)	Income approach	9.8% - 8.02%
Palazzo Center	Income approach	10.8% - 8.5%
Al-Malqa Complex	Income approach	10.55% - 7.5%
Elite Center	Income approach	12% - 9.5%
Ahlan Court Center	Income approach	12.8% - 8.5%
Bin 2 Center	Income approach	12.3% - 10%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	9.5% - 7.5%
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Income and cost approach	9.1%
Elegance Tower	Income approach	9.8% - 8.5%
Vision Educational Colleges - Jeddah	Income approach	9% - 7.5%
Akun warehouses	Income approach	9% - 7.25%

The valuations of the investment properties were carried out by two real estate valuers which are valuers accredited by Saudi Authority for accredited values (TAQEEM).

The Fund appointed two independent valuers for the valuation of their investment properties and are listed as follows:

	Accredited valuer	License Number
Whites cubes for Professional Consulting	Essam Al Husaini	1210000474
Advanced Abaad and Partner Company for Real Estate Valuation	Ammar Sindi	1210000219

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

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

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

	2023	2022
Cost of investment properties and right of use asset	**2,046,048,454**	2,042,804,635
Accumulated depreciation	**(175,121,509)**	(131,581,605)
Investment properties and right of use asset value	**1,870,926,945**	1,911,223,030
Net reversal impairment	**97,659,055**	51,570,970
Fair value of investment properties and right of use asset	**1,968,586,000**	1,962,794,000

b) Net assets attributable to unitholders at fair value consists of the following:

	2023	2022
Equity attributable to unitholders	**1,045,608,726**	1,069,697,376
Unrealized gains arising from revaluation	**147,215,792**	117,779,742
Net asset at fair value	**1,192,824,518**	1,187,477,118

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

	2023	2022
Equity per unit (SR per unit)	**7.4152**	7.5860
Unrealized gains arising from revaluation per unit (SR per unit)	**1.0440**	0.8353
Net equity per unit - at fair value (SR per unit)	**8.4592**	8.4213

10. CREDIT FACILITIES

On January 8, 2019, a credit facility agreement was signed between the Fund and a local bank to obtain bank financing amounted to SR 737.5 million as of December 31, 2023 (as of December 31, 2022: SR 737.5 million). These facilities were obtained primarily under a financing agreement for the Fund. The facilities agreement is guaranteed by rent collections, and the residential and commercial properties and lands are mortgaged to the bank. The facilities are charged with financing interest according to the rates prevailing in the Saudi interbank internal lending market (six-month SIBOR rate + 2.25% - 2.50% annually). Payment is due after 5 years from the beginning of the facility. . On December 26, 2023, an agreement was signed to amend and restructure the credit facilities, whereby the repayment period was extended for an additional period of 6 years due on September 7, 2031, and the financing interest was amended to become (six-month SIBOR rate + 1.65%), and an additional clause regarding overdraft draw was added amounted to SR 30 million out of SR 1 billion.

11. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2023	2022
Unearned rental income	**23,854,758**	19,561,692
Accrued dividends	**14,805,929**	-
Accrued interest on credit facilities	**9,830,274**	11,758,930
Accrued properties management fees	**1,176,083**	524,303
Finance restructuring expense	**1,000,000**	-
Accrued finance cost	**496,503**	523,182
Accrued professional and consulting fees	**256,000**	354,000
Refundable rent deposit	**-**	16,098,018
Refundable security deposit	**-**	343,700
Retention payable	**-**	267,732
Other credit balances	**4,340,397**	3,777,042
	55,759,944	53,208,599

12. RENTAL INCOME

Revenue includes rental income from investment properties.

The Fund recognizes the rent resulting from the lease contracts using the straight-line method. After inception of the lease contracts, the Fund recognizes variable lease payments that are not based on a specific index or rate (payments based on performance or usage, for example) when earned. When the Fund provides incentives to its tenants, the cost of incentives is recognized using the straight-line method as a reduction for rental income.

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

13. OTHER EXPENSES

	FOR THE YEAR ENDED DECEMBER 31,	
	2023	2022
Utilities expenses	**2,304,630**	1,356,500
Finance restructuring expense	**2,300,000**	-
Properties insurance expense	**802,621**	630,667
Initial registration and listing fees	**693,108**	707,500
Consulting and legal fees	**486,829**	390,557
Investment properties valuation fees	**299,925**	159,500
Other expenses	**304,581**	311,101
	7,191,694	3,555,825

14. ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund manager, and management fees and costs are calculated per the terms and conditions of the Fund as follows:

a) Administrative fees

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

b) Management fees

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

c) Custody fees

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

d) Subscription fees

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

e) Capital structuring fees

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

f) Finance structuring fees

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

g) Properties management fees

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

15. ZAKAT BASE

According to the rules for zakat levy from investors in investment funds, investment funds are not obligated to pay zakat, only to provide information declaration and calculating the fund's zakat base is submitted. This was implemented at the beginning of 2023, therefore no comparative figures are presented. The zakat base is presented as follows:

	2023
Adjustment on net adjusted profit:	
Profit as per book for the year	**35,135,066**
Charge to provision for expected credit losses	**2,205,336**
Adjusted profit for the year	**37,340,402**
Zakat base:	
Equity attributable to unitholders	**1,045,608,726**
Opening balance provision	**50,000,000**
Long-term loans	**752,324,736**
Accrued dividends	**14,805,292**
The difference between adjusted profit and profit as per book	**2,205,336**
Additions and other liabilities	**19,561,692**
Book value of non-current assets based on authority	**(1,821,370,208)**
Zakat base	**63,135,574**
Fund's zakat base is the largest between zakat base and adjusted profit	**63,135,574**
The value of zakat according to the fund's zakat base	**1,627,433**
Outstanding units	**141,008,848**
The value for zakat per unit	**0.0115**

16. SHARIA COMPLIANCE

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

17. DIVIDENDS

The Fund's Board of Directors approved to distribute dividends and the details of these distributions are as follows:

Approval Date	The period paid for	Amount per Unit	Total
2023			
January 31, 2023	October 1, 2022 to December 31, 2022	0.105	**14,805,929**
April 30, 2023	January 1, 2023 to March 31, 2023	0.105	**14,805,929**
July 30, 2023	April 1, 2023 to June 30, 2023	0.105	**14,805,929**
October 31, 2023	July 1, 2023 to September 30, 2023	0.105	**14,805,929**
			59,223,716
2022			
January 31, 2022	October 1, 2021 to December 31, 2021	0.125	17,626,106
May 8, 2022	January 1, 2022 to March 31, 2022	0.125	17,626,106
July 31, 2022	April 1, 2022 to June 30, 2022	0.125	17,626,106
October 31, 2022	July 1, 2022 to September 30, 2022	0.125	17,626,106
			70,504,424

18. COMMITMENTS AND CONTINGENCIES

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

On July 27, 2021, a “Sharia Compliant Hedging Agreement” was executed with Al-Rajhi Bank to fix the profit margin of the facilities used in the first additional offering for the amount of SR 397.5 million at a fixed rate of 4.44%. The purpose of the hedging facility is to protect the Fund from rate fluctuations during the remaining tenor of this facility, starting from September 1, 2021 until September 7, 2025.

The gain or loss in the fair value from hedging agreements is recognized in the statement of profit or loss to compensate for the increase in interest expense on the loan, and is offset against the interest expense on the loan within financing costs.

19. LAST VALUATION DATE

The last date for valuation during the year is December 31, 2023.

20. RISK MANAGEMENT

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

a) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's transactions are mostly in Saudi Riyal.

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk are the exposures to various risks related to the effect of fluctuations in market interest rates on the financial position and cash flows of the Fund, and the Fund entered into hedging and interest rate swap agreements to mitigate these risks (Note 18).

Price risk

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

b) Credit risk

Credit risk is the risk that one party will fail to fulfill an obligation and cause the other party to suffer a financial loss. The Fund is exposed to the risk of credit-related losses that may occur as a result of the inability or unwillingness of the counterparty or issuer to fulfill its obligations. The Fund is exposed to credit risk on its bank balances, accounts receivable, liabilities from a related party, and other receivable balances

A provision for credit losses is maintained and sufficient at the management's discretion to cover potential losses of arrears receivables. At the date of each financial statement, bank balances are assessed as to whether they involve low credit risks as they are held by reputable financial institutions with a high local bank credit rating, and there is no stumbling date for any of the bank balances. Therefore, the likelihood of faltering is based on future factors and little loss resulting from faltering. As at the date of the report, there are no due dates for payment.

The required by a related party and other debit balances are not guaranteed, without return and has no fixed payments. There are no balances receivable from the relevant parties. As of the date of the report, it was overdue, taking into account the historical experience of stumbling and the future of the industries in which the related parties involved operate. The management considers that the related parties balances are not impaired.

When calculating the provision for expected credit loss to account recievable and due to a related party, the provisions matrix is used based on historical loss rates over the life expectancy of adjusted receivables for future estimates.

The Fund's maximum undisclosed exposure to credit risks for the components of the financial position and expected credit loss involved are as follows:

	Note	**2023**	2022
Cash at banks		**27,111,669**	23,426,959
Account receivable	5	**5,664,474**	7,960,481
Custody of development expenses and other debit balances	6	**5,981,840**	5,174,822
Due to a related party	7-a	**18,781**	18,781

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments. As at December 31, 2023, current liabilities exceeded current assets by SR 24,519,243 (as of December 31, 2022: SR 23,251,589). and as of that date, unearned rental income and due to related parties (components of current liabilities) and amounted to SR 30,741,190 (as of December 31, 2022: SR 26,800,935). and, therefore, and Fund does not have a significant deficit in working capital.

December 31, 2023	**Book value**	**Less than one year**	**More than one year**
Non-derivative financial liabilities			
Credit facilities	**737,500,000**	**-**	**737,500,000**
Due to related parties	**6,886,432**	**6,886,432**	**-**
Lease liabilities	**14,824,736**	**1,082,497**	**13,742,239**
Accrued expenses and other credit balances	**55,759,944**	**55,759,944**	**-**
	814,971,112	**63,728,873**	**751,242,239**

December 31, 2022	**Book value**	**Less than one year**	**More than one year**
Non-derivative financial liabilities			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	7,239,243	7,239,243	**-**
Lease liabilities	15,621,118	1,055,825	14,565,293
Accrued expenses and other credit balances	53,208,599	53,208,599	-
	813,568,960	61,503,667	752,065,293

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as stated on basis of preparation of financial statement – fair value measurement note (3).

The Fund does not have any financial instruments that are valued under fair value.

22. OPERATING SEGMENTS

The Fund generates continuous rental revenue and all Fund operations are executed in the Kingdom of Saudi Arabia. The Fund's operations are monitored by the Fund’s management under one sector, therefore, no separate information is required.

23. SUBSEQUENT EVENTS

- On January 31, 2024, the Fund Board of Directors approved the distribution of dividends amounted SR 0.105 per unit for the period from October 1, 2023 to December 31, 2023 with total of SR 14,805,929 million to unitholders.

The Fund Manager announced for Fund's Board of Directors' approval on February 23, 2024 to accept the offer to purchase one of the Fund's real estate ("the deal"), provided that the necessary real estate evaluations are conducted before proceeding with the implementation of the deal, in accordance with the requirements of the special terms and conditions of the Fund.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board of Directors for the year ended December 31, 2023 on Ramadan 10, 1445H (March 20, 2024).