

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting – Member Crowe Global

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND THE INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

ALKHABEER REIT FUND - Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND THE
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

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Independent Auditor's Review Report on the Interim Condensed Financial Statements

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

Introduction

We have reviewed the interim condensed statement of financial position of **Alkhabeer Reit Fund (A Real Estate Investment Traded Fund) ("The Fund")** managed by **Alkhabeer Capital Company ("Fund Manager")** as at June 30, 2023, and interim condensed financial statements of profit or loss and other comprehensive income, changes in equity attributable to unitholders and cash flows for the six-month period then ended, and notes which form an integral part of these interim condensed financial statements. The Fund manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Fund" (ISRE 2410) that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ('ISAs'), that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in the audit course. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not fairly presented, in all material respects, the Fund's financial position as at June 30, 2023 and financial performance, and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants.



**AlAzem, AlSudairy, AlShaikh & Partners
For Professional Consulting**



**Abdullah M. AlAzem
License No. 335**

22 Muharram 1445H (August 9, 2023)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT JUNE 30, 2023**

(Expressed in Saudi Riyal)

		As at June 30, 2023	As at December 31, 2022
	Note	(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash at banks		23,806,934	23,426,959
Accounts receivable		15,035,106	7,960,481
Prepaid expenses and other debit balances		5,961,338	6,845,857
Due from a related party	5	18,781	18,781
Total current assets		44,822,159	38,252,078
Non-current assets			
Right of use asset	6	137,576,717	141,475,645
Investment properties	7	1,695,156,326	1,703,538,613
Total non-current assets		1,832,733,043	1,845,014,258
Total assets		1,877,555,202	1,883,266,336
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Due to related parties	5	11,822,498	7,239,243
Lease liabilities – current portion	6	1,319,557	1,055,825
Accrued expenses and other credit balances		56,658,434	53,208,599
Total current liabilities		69,800,489	61,503,667
Non-current liabilities			
Lease liabilities – non-current portion	6	12,982,004	14,565,293
Credit facilities		737,500,000	737,500,000
Total non-current liabilities		750,482,004	752,065,293
Total liabilities		820,282,493	813,568,960
EQUITY ATTRIBUTABLE TO UNITHOLDERS		1,057,272,709	1,069,697,376
Total liabilities and equity attributable to unitholders		1,877,555,202	1,883,266,336
Number of units issued (unit)		141,008,848	141,008,848
Equity per unit – book value	7	7.4979	7.5860
Equity per unit – fair value	7	8.4894	8.4213

The accompanying notes from (1) to (16) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
		2023	2022
	Note	(Unaudited)	(Unaudited)
Rental revenues		61,724,476	59,591,073
Expenses			
Properties / Facilities management fees		(5,961,814)	(3,462,860)
Administration and custody fees	5	(393,516)	(392,788)
Management fees	5	(4,218,739)	(3,067,801)
Finance costs		(16,273,669)	(18,160,511)
Depreciation of investment properties and right of use asset	6,7	(21,763,753)	(21,693,787)
Reversal of impairment of investment properties	7	6,729,426	32,423,674
Expected credit losses		-	(6,000,000)
Other expenses		(2,655,220)	(1,809,369)
Net expenses		(44,537,285)	(22,163,442)
Profit for the period		17,187,191	37,427,631
Other comprehensive income		-	-
Total comprehensive income for the period		17,187,191	37,427,631

The accompanying notes from (1) to (16) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	Note	
Equity attributable to unitholders		
Equity attributable to unitholders at the beginning of the period		1,096,825,756
Dividends	9	(35,252,212)
Comprehensive income for the period		37,427,631
Equity attributable to unitholders at the end of the period		1,099,001,175

Transactions in units for the period are summarized as follows:

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Number of units at the beginning and ending of the period	141,008,848	141,008,848

The accompanying notes from (1) to (16) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	2023	2022
	(Unaudited)	(Unaudited)
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Profit for the period	17,187,191	37,427,631
Adjustments:		
Depreciation of investment properties and right-of-use asset	21,763,753	21,693,787
Reversal of impairment of investment properties	(6,729,426)	(32,423,674)
Interest charged on lease liabilities	259,443	272,139
Finance costs	16,014,226	17,888,372
Expected credit losses	-	6,000,000
Changes in operating assets and liabilities:		
Accounts receivable	(8,539,375)	(4,522,139)
Prepaid expenses and other debit balances	884,519	3,376,507
Due to related parties	4,583,255	(1,184,443)
Accrued expenses and other credit balances	(11,356,094)	(27,688,775)
Net cash provided by operating activities	34,067,492	20,839,405
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions to investment properties	(1,697,602)	(1,365,465)
Additions to right-of-use asset	(1,055,510)	(392,035)
Net cash used in investing activities	(2,753,112)	(1,757,500)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Net movement in credit facilities	-	1,053,064
Dividends paid	(13,341,179)	(31,764,712)
Lease payments	(1,579,000)	(1,579,000)
Finance costs paid	(16,014,226)	(17,888,372)
Net cash used in financing activities	(30,934,405)	(50,179,020)
Net change in cash at banks	379,975	(31,097,115)
Cash at banks at the beginning of the period	23,426,959	50,968,681
Cash at banks at the end of the period	23,806,934	19,871,566
<u>Non-cash items:</u>		
Dividends through write-off of receivables for unitholders	1,464,750	3,487,500

The accompanying notes from (1) to (16) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

1. THE FUND AND ITS ACTIVITIES

Alkhabeer Reit Fund (the "Fund") is a closed-ended shari'a-compliant 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 sustainable 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 "CMA" on October 16, 2018 (corresponding to Safar 7, 1440 H), and the initial offering period was 15 days, starting from November 11, 2018 to November 29, 2018. The Fund commenced its activities on December 16, 2018, and 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 99 years following the date of listing units on Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia 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), which outlines the requirements that all real estate funds traded in must adhere to the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION INTERIM CONDENSED FINANCIAL STATEMENTS

Statement of compliance

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard (34) "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the provisions specified by the fund regulations issued by the CMA, the terms and conditions of the fund and the information memorandum considering that the financial performance for the interim condensed financial for the six-month period ended in June 30, 2023, may not necessarily be indicative of the expected results for the year that will be ended on December 31, 2023.

The interim condensed financial statements do not include all of the information and disclosures required for the annual financial statements, and should be read in conjunction with the Fund's annual financial statements for the year ended December 31, 2022. The International Accounting Standard (34) states that the objective of preparing the interim condensed financial statements is to update on the annual financial statements. Therefore, the International Accounting Standard (34) require less disclosure in the interim condensed financial statements to be reported compared to the disclosure required by the International Financial Reporting Standards ("IFRS") in the annual financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

Basis of measurement

These interim condensed financial statements 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

These interim condensed 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 were be received from selling an asset or paid 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparing the condensed interim financial statements are consistent with those used in preparing the Fund's annual financial statements for the year ended on December 31, 2022.

Zakat

According to the rules for zakat collection from investors in investment funds, investment funds are not required to pay zakat. However, an information declaration should be submitted to calculate the Zakat base of the Fund. Therefore, no provision for such liabilities is recorded in these interim condensed financial statements.

5. RELATED PARTIES TRANSACTIONS AND BALANCES

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

a) Due from a related party comprises the following:

	Nature of relationship	Nature of transaction	Value of transaction		Balance	
			For the six-month period ended June 30, 2023	2022	As at June 30, 2023	As at December 31, 2022
Related party			(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf of the Company Payments	10,453 (10,453)	503 (503)	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 No. 1010893802 on Shawwal 19, 1438H (corresponding to July 13, 2017) for the purpose of keeping and registering properties related to real estate funds under the name of the Company. The Fund provided an amount of 20,000 Saudi riyals as the Company's capital.

The title deed of real-estate was registered under 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.

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(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

b) Due to related parties comprises the following:

Related parties	Nature of relationship	Nature of transaction	Value of transaction		Balance	
			For the six-month period ended June 30, 2023	2022	As at June 30, 2023	As at December 31, 2022
			(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Alkhabeer Capital Company	Fund Manager	Management fees	4,218,739	3,067,801		
		Administration fees	148,976	149,550		
		Payments		(4,631,991)	10,975,948	6,608,233
Alinma Investment Company	Custodian	Custody Fees	244,540	243,238	833,550	589,010
Fund's Board of Directors	Board of Directors	Total compensation paid to Independent Fund's board members	13,000	28,959		
		Payments	(42,000)	(42,000)	13,000	42,000
					11,822,498	7,239,243

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

6. LEASES

a) Right-of-use asset

The movement in right of use assets related to the Fund is as follow:

	As at June 30, 2023	As at December 31, 2022
	(Unaudited)	(Audited)
Cost:		
Balance at the beginning of the period / year	179,781,490	178,665,735
Additions during the period / year	1,055,510	1,115,755
Balance at the end of the period / year	180,837,000	179,781,490
Accumulated depreciation:		
Balance at the beginning of the period / year	38,305,845	28,474,632
Charge during the period / year	4,954,438	9,831,213
Balance at the end of the period / year	43,260,283	38,305,845
Net book value:		
Balance at the end of the period / year	137,576,717	141,475,645

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(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

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

Property Name	Property type	Valuation Method	Discount Rate	Fair Value as at June 30, 2023 (Unaudited)	Fair Value as at December 31, 2022 (Audited)
Gallery Mall	Commercial	Income approach	11% - 11.8%	164,995,000	171,925,000

b) Lease liabilities

The movement in lease liabilities is as follow:

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Balance at the beginning of the period / year	15,621,118	16,379,505
Paid during the period / year	(1,579,000)	(1,579,000)
Interest charged during the period / year	259,443	820,613
Total lease liabilities at the end of the period / year	14,301,561	15,621,118

The lease liabilities are as follow:

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Current portion	1,319,557	1,055,825
Non-current portion	12,982,004	14,565,293
Total lease liabilities	14,301,561	15,621,118

The weighted average incremental borrowing rate applied to lease liabilities was 5.01%. Total interest expense on lease liabilities for the period ended on June 30, 2023 amounted to SAR 259,443, for the year ended December 31, 2022 amounted to SAR 820,613.

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

7. INVESTMENT PROPERTIES

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

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Investments in residential, commercial real estate and lands	1,858,045,000	1,858,045,000
Development costs	6,675,747	4,978,145
Accumulated depreciation	(110,085,075)	(93,275,760)
Impairment	(59,479,346)	(66,208,772)
	1,695,156,326	1,703,538,613

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

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

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Balance at the beginning of the period / year	66,208,772	106,462,993
Reversal of impairment	(6,729,426)	(40,254,221)
	59,479,346	66,208,772

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

June 30, 2023 (Unaudited):	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 period	-	1,697,602	1,697,602
Balance at June 30, 2023	519,975,542	1,344,745,205	1,864,720,747
Accumulated depreciation:			
Balance at January 1, 2023	-	93,275,760	93,275,760
Charge for the period	-	16,809,315	16,809,315
Balance at June 30, 2023	-	110,085,075	110,085,075
Net book value	519,975,542	1,234,660,130	1,754,635,672
Impairment			(59,479,346)
Balance at June 30, 2023			1,695,156,326

* The residential and commercial properties and lands are mortgaged with a local bank under a credit facility agreement except for Akun warehouses.

December 31, 2022 (Audited):	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	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 except for Akun warehouses.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

d) The details of investment properties are as follows:

June 30, 2023 (Unaudited)

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	(2,694,375)	(12,161,625)	65,094,000	65,094,000
Palazzo Center	Retail	Riyadh	95,632,500	(5,313,656)	(20,928,844)	69,390,000	69,390,000
Al-Malqa complex	Residential	Riyadh	320,675,747	(29,376,801)	(8,113,946)	283,185,000	283,185,000
Elite Center	Multi-use	Jeddah	164,000,000	(11,907,692)	-	152,092,308	155,480,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,689,458)	(3,120,542)	66,940,000	66,940,000
Bin 2 Center	Multi-use	Jeddah	92,250,000	(6,539,230)	-	85,710,770	87,490,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(12,832,025)	-	202,417,975	208,410,000
The training building for Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(2,831,633)	-	63,793,367	80,915,000
Elegance Tower	Office	Riyadh	424,350,000	(23,402,094)	-	400,947,906	485,050,000
Vision Colleges - Jeddah	Educational	Jeddah	107,500,000	(4,695,460)	(6,459,540)	96,345,000	96,345,000
Akun warehouses	Logistics	Jeddah	226,737,500	(8,802,651)	(8,694,849)	209,240,000	209,240,000
			1,864,720,747	(110,085,075)	(59,479,346)	1,695,156,326	1,807,539,000

The movement in impairment during the period is as follows:

June 30, 2023 (Unaudited)

Property name	Accumulated impairment at the beginning of the period	Reversal of impairment / (impairment) for the period	Accumulated impairment at the end of the period
B&Q Retail Company (formerly known as Homeworks Center)	(13,771,000)	1,609,375	(12,161,625)
Palazzo Center	(21,069,250)	140,406	(20,928,844)
Al-Malqa complex	(9,527,804)	1,413,858	(8,113,946)
Ahlan Court Center	(3,071,802)	(48,740)	(3,120,542)
Vision Colleges - Jeddah	(8,978,405)	2,518,865	(6,459,540)
Akun warehouses	(9,790,511)	1,095,662	(8,694,849)
	(66,208,772)	6,729,426	(59,479,346)

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(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

December 31, 2022 (Audited)

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	Multi-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	Multi-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
The training building for Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(2,331,933)	-	64,293,067	75,980,000
Elegance Tower	Office	Riyadh	424,350,000	(19,272,312)	-	405,077,688	475,050,000
Vision 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

The movement in impairment during the year is as follows:

December 31, 2022 (Audited)

Property name	Accumulated impairment at the beginning of the year	Reversal of 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 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)

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

The following are the main assumptions used in determining the fair value of investment properties as at June 30, 2023:

Property Name	Valuation Method	Discount / capitalization rate
B&Q Retail Company (formerly known as Homeworks Center)	Income approach	%9.8 - %8
Palazzo Center	Income approach	%11.05 - %8.25
Al-Malqa complex	Income approach	%10.55 - %7.5
Elite Center	Income approach	%11.55 %9.5
Ahlan Court Center	Income approach	%11.55 - %8.5
Bin 2 Center	Income approach	%12.3 %9.5
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	%9.5 - %7.5
The training building for Vision Colleges (formerly known as AlFarabi Colleges)	Income and cost approach	%9.5 - %8.5
Elegance Tower	Income approach	%9.8 - %8.5
Vision Colleges - Jeddah	Income approach	%9.5 - %7.5
Akun warehouses	Income approach	%7.25 - %7

The valuations of the investment properties and right of use asset were carried out by White Cubes for Professional Consulting Company, and Abaad for Real Estate Valuation Company which are accredited valuers by Saudi Authority for accredited valuers (TAQEEM).

The Fund has appointed independent evaluators to evaluate investment properties and they are as follows:

	Accredited valuer	License number
White Cubes for Professional Consulting Company	Essam Al Husaini	1210000474
Abaad for Real Estate Valuation Company	Amar Sindi	1210000219

THE IMPACT OF NET ASSETS VALUE INSTUATION OF EVALUATION OF 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), Kingdom of Saudi Arabia, the Fund manager estimates the fair value of the funds real estates based on two valuations prepared by independent values. However, in accordance with IFRS, investments in real estate and right of use asset properties are carried at cost less depreciation and impairment, and for the purpose of disclosing information, the fair value has been disclosed below:

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023**

(Expressed in Saudi Riyal)

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

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Cost of investment properties and right of use asset	2,045,557,747	2,042,804,635
Accumulated depreciation	(153,345,358)	(131,581,605)
Investment properties and right of use asset value	1,892,212,389	1,911,223,030
Reversal of impairment	80,321,611	51,570,970
Fair value of investment properties and right of use asset	1,972,534,000	1,962,794,000

b) Net asset using fair value method consists of the following:

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Equity attributable to unitholders	1,057,272,709	1,069,697,376
Unrealized gains arising from revaluation	139,800,957	117,779,742
Net asset at fair value	1,197,073,666	1,187,477,118

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

	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Equity per unit	7.4979	7.5860
Unrealized gains arising from revaluation	0.9915	0.8353
Net equity per unit, at fair value	8.4894	8.4213

8. SHARIA COMPLIANCE

The fund operates in accordance with the Sharia Compliant, as determined by the Sharia advisor. The Sharia advisor reviewed the Fund's public offering document and confirmed that it is Sharia Compliant.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

9. DIVIDENDS

The Fund's board of directors approved to dividends and the details of these dividends are as follows:

Approval Date	The period paid for	Amount per unit	Total
January 31, 2022	October 01, 2021 to December 31, 2021	0.125	17,626,106
May 08, 2022	January 01, 2022 to March 31, 2022	0.125	17,626,106
July 31, 2022	April 01, 2022 to June 30, 2022	0.125	17,626,106
October 31, 2022	July 01, 2022 to September 30, 2022	0.125	17,626,106
January 31, 2023	October 01, 2022 to December 31, 2022	0.105	14,805,929
April 30, 2023	January 01, 2023 to March 31, 2023	0.105	14,805,929

10. COMMITMENTS AND CONTINGENCIES

On November 19, 2019, the Fund entered into a profit rate swap contract with a nominal value of SAR 340 million in order to fix the facility profit margin at a fixed rate of 4.69%. The contract 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 SAR 397.5 million at a fixed rate of 4.44%. The purpose of the hedging facility is to protect the Fund from rate fluctuations during the remaining tenor of this facility, starting from September 1, 2021 until September 7, 2025.

11. LAST VALUATION DATE

The last date for valuation during the period is June 30, 2023.

12. 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.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed 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 a swap and hedge contracts as mentioned in note (10).

- **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 counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund does not have significant concentration of credit risk. Cash is placed with high credit rating banks and The Fund manager reviews the accounts receivable and other debit balances. Accounts receivable are presented net of expected credit loss provision which is estimated by the Fund manager based on past experience and assessment of current economic environment.

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 ensuring that sufficient liquidity is available on a regular basis. As at June 30, 2023 the Fund's current liabilities exceeded current assets by SAR 24,978,330 and as of that date, unearned rental income and due to related parties (components of current liabilities) amounted to SAR 21,744,837, therefore, there is no material impact on working capital in the Fund's condensed interim financial statements.

As at June 30, 2023 (Unaudited)	Book value	Less than one year	More than one year
<u>Non-derivative financial liabilities</u>			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	11,822,498	11,822,498	-
Lease liabilities	14,301,561	1,319,557	12,982,004
Accrued expenses and other credit balances	56,658,434	56,658,434	-
	820,282,493	69,800,489	750,482,004
<hr/>			
As at December 31, 2022 (Audited)	Book value	Less than one year	More than one year
<u>Non-derivative financial liabilities</u>			
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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

(Expressed in Saudi Riyal)

13. 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the interim condensed financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

14. OPERATING SEGMENTS

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

15. SUBSEQUENT EVENTS

- On July 30, 2023, the Fund's Board of Directors approved the distribution of dividends for the period from April 1, 2023 to June 30, 2023, at an amount of SAR 0.105 per unit and a total of SAR 14.81 million to unitholders.
- The Fund is required to be registered with the Zakat, Tax, and Customs Authority (ZATCA) and provide information declaration starting from 2023.

16. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Fund's Board of Directors on 22 Muharram 1445H (August 9, 2023).