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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, 2022

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, 2022

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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, 2022, 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, 2022, 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 2022, the book value of investment properties and right of use asset held by the Fund amounted to SAR 1.845 million (2021: SAR 1.846 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.

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)

<table>
<tr><th>Key Audit Matters</th><th>How We Addressed Key Audit Matters</th></tr>
<tr><td>
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.
</td><td>

Performed test of details on the acquisition 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 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.

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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. **Revenue** For the year ended December 31, 2022, rental income amounted to SAR 118.8 million (2021: SAR 117.8 million). Revenue recognition Revenue includes rental income from investment properties. The Fund records the rent resulting from the lease contracts using the straight-line method. After initiation of the lease, 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, discounts and amounts collected on behalf of a third party.	▪ 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. We have performed the following procedures to evaluate the risk of material misstatement regarding revenue recognition: • Evaluated the appropriateness of the Fund's revenue recognition policies from contracts with the Fund to assess whether they are consistent with IFRS 15 "Revenue from contract with customer". • Assessed material opinions taken by management through examining leases. • Performed test of details (on a sample basis) with regard to contractual terms and conditions and their accounting treatment. We evaluated the method of revenue recognition before and after the year end to assess whether the revenue was recognized in the appropriate period or not. In addition, we examined the appropriateness of disclosures included in the financial statements. • Performed detailed analytical procedures on revenue. • We have reviewed the key assumptions and judgments.

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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

Other information included in the Fund's 2022 Annual Report

Other information consists of the information included in the Fund's 2022 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 2022 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.

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.

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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

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

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.

- 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.

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

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

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.

AlAzem, AlSudairy, AlShaikh & Partners
For Professional Consulting

Abdullah M. AlAzem
License No. 335

4 Ramadan 1444H (March 26, 2023)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(Expressed in Saudi Riyal)

	Note	As at December 31, 2022	2021
ASSETS			
Current assets			
Cash at banks		**23,426,959**	50,968,681
Account receivables	5	**7,960,481**	21,981,126
Prepaid expenses and other debit balances	6	**6,845,857**	14,984,081
Due from a related party	7	**18,781**	18,781
Total current assets		**38,252,078**	87,952,669
Non-current assets			
Right of use asset	8	**141,475,645**	150,191,103
Investment properties	9	**1,703,538,613**	1,695,495,117
Total non-current assets		**1,845,014,258**	1,845,686,220
Total assets		**1,883,266,336**	1,933,638,889
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Due to related parties	7	**7,239,243**	5,644,519
Lease liabilities – current portion	8	**1,055,825**	1,165,321
Accrued expenses and other credit balances	11	**53,208,599**	77,289,109
Total current liabilities		**61,503,667**	84,098,949
Non-current liabilities			
Lease liabilities – non-current portion	8	**14,565,293**	15,214,184
Credit facilities	10	**737,500,000**	737,500,000
Total non-current liabilities		**752,065,293**	752,714,184
Total liabilities		**813,568,960**	836,813,133
EQUITY ATTRIBUTABLE TO UNITHOLDERS		**1,069,697,376**	1,096,825,756
Total liabilities and equity attributable to unitholders		**1,883,266,336**	1,933,638,889
Number of units issued (unit)		**141,008,848**	141,008,848
Equity per unit – book value	9	**7.5860**	7.7784
Equity per unit – fair value	9	**8.4213**	8.3484

The accompanying notes from (1) to (22) 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, 2022
(Expressed in Saudi Riyal)

	Note	**FOR THE YEAR ENDED DECEMBER 31** **2022**	2021
Rental income		**118,761,665**	117,778,571
Expenses			
Properties / facilities management fees	13	**(5,855,608)**	(7,071,509)
Administration and custody fees	7, 13	**(790,607)**	(702,018)
Management fees	7, 13	**(9,000,081)**	(7,709,674)
Finance costs		**(38,030,318)**	(30,031,243)
Depreciation of investment properties and right of use asset	8, 9	**(43,407,403)**	(39,947,316)
Reversal of impairment / (impairment) of investment properties	9	**40,254,221**	(41,136,021)
Expected credit losses	5	**(15,000,000)**	(20,500,000)
Other expenses	12	**(3,555,825)**	(4,511,800)
Total expenses		**(75,385,621)**	(151,609,581)
Profit / (loss) for the year		**43,376,044**	(33,831,010)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the year		**43,376,044**	(33,831,010)

The accompanying notes from (1) to (22) 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, 2022
(Expressed in Saudi Riyal)

	Note	FOR THE YEAR ENDED DECEMBER 31 **2022**	2021
Equity attributable to unitholders			
Equity attributable to unitholders at the beginning of the year		**1,096,825,756**	856,154,223
Cash subscriptions with a nominal value of 10 riyal for each unit		-	157,365,000
Subscriptions issued against investment properties		-	223,013,350
Discount on issuance of underwriting units		-	(44,880,842)
Dividends	15	**(70,504,424)**	(60,994,965)
Comprehensive income / (loss) for the year		**43,376,044**	(33,831,010)
Equity attributable to unitholders at the end of the year		**1,069,697,376**	1,096,825,756

Transactions in units for the year are summarized as follows:

	2022	2021
Number of units at the beginning of the year	**141,008,848**	102,971,013
Subscription of units - Cash	-	15,736,500
Subscription of units - In kind contribution	-	22,301,335
Number of units at the end of the year	**141,008,848**	141,008,848

The accompanying notes from (1) to (22) form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Saudi Riyal)

	FOR THE YEAR ENDED DECEMBER 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit / (loss) for the year	**43,376,044**	(33,831,010)
Adjustments:		
Depreciation of investment properties and right of use asset	**43,407,403**	39,947,316
(Reversal of impairment) / impairment of investment properties	**(40,254,221)**	41,136,021
Interest charged on lease liabilities	**820,613**	856,796
Finance cost	**37,209,705**	29,174,447
Expected credit losses	**15,000,000**	20,500,000
Changes in operating assets and liabilities:		
Account receivables	**(7,954,355)**	(13,762,905)
Prepaid expenses and other debit balances	**8,138,224**	(7,705,764)
Due from a related party	**-**	485
Due to related parties	**1,594,724**	(221,333)
Accrued expenses and other credit balances	**(24,603,692)**	15,160,462
Net cash provided by operating activities	**76,734,445**	91,254,515
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to investment properties	**(1,365,465)**	(138,312,470)
Additions to right of use asset	**(1,115,755)**	(658,327)
Net cash used in investing activities	**(2,481,220)**	(138,970,797)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net movement in credit facilities	**-**	3,433
Issuance of cash subscriptions	**-**	138,797,503
Dividends paid	**(63,529,424)**	(54,019,965)
Lease payments	**(1,579,000)**	(1,579,000)
Finance cost paid	**(36,686,523)**	(28,625,866)
Net cash (used in) / provided by financing activities	**(101,794,947)**	54,576,105
Net change in cash at banks	**(27,541,722)**	6,859,823
Cash at banks at the beginning of the year	**50,968,681**	44,108,858
Cash at banks at the end of the year	**23,426,959**	50,968,681
Non-cash items:		
In kind subscription issued for investment properties	**-**	196,700,005
Dividends through written off receivables for unitholders	**6,975,000**	6,975,000

The accompanying notes from (1) to (22) 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

New standards, amendment to standards and interpretations

The Fund has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2022:

a) Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant, and equipment' prohibit a fund from deducting from the cost of the property, plant, and equipment amounts received from selling items produced while the Fund is preparing the asset for its intended use. Instead, a fund will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a fund includes when assessing whether a contract will be loss-making.

The adoption of above amendments does not have any material impact on the financial statements during the year.

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for the annual periods beginning on or after January 1, 2023 and earlier application is permitted, however, the Fund has not early adopted them in preparing these financial statements.

a) Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

b) Amendments to IAS 1, Practice statement 2 and IAS 8

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

c) Amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction

These amendments require the Fund to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Cash and cash equivalents

Cash and cash equivalents includes bank balances, deposits held at call with banks with a maturity of three months, which are subject to an insignificant risk of changes in value.

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.

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 and income tax

According to the rules for zakat collection from investors in investment funds, investment funds are not required to pay zakat. Therefore, no provision for such provision is recorded 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.

Subsequent measurements

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.

(Expressed in Saudi Riyal)

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.

5. ACCOUNT RECEIVABLES

	2022	2021
Account receivables	**57,960,481**	56,981,126
Expected credit losses	**(50,000,000)**	(35,000,000)
	7,960,481	21,981,126

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

	2022	2021
Balance at the beginning of the year	**35,000,000**	14,500,000
Charge for the year	**15,000,000**	20,500,000
	50,000,000	35,000,000

The aging analysis of account receivables is as follows:

	2022	2021
Up to 90 days	**845,573**	655,293
91 - 180 days	**4,006,117**	5,863,018
181 - 365 days	**1,025,836**	6,387,570
More than 365 days	**52,082,955**	44,075,245
	57,960,481	56,981,126

6. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2022	2021
Value add tax deposits	**1,072,540**	8,689,493
Prepaid property manager fees	**300,001**	554,438
Prepaid development cost of properties	**234,277**	234,277
Prepaid insurance expense	**64,217**	331,051
Other debit balances	**5,174,822**	5,174,822
	6,845,857	14,984,081

(Expressed in Saudi Riyal)

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**	**2022**	2021	**2022**	2021
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf	-	(485)	**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 SAR 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:

			Amount of transactions for the year ended December 31,		Balance as at December 31,	
Related party	**Nature of relationship**	**Nature of transaction**	**2022**	2021	**2022**	2021
Alkhabeer Capital Company	Fund Manager	Expenses paid on behalf of the Fund	-	8,675,025		
		Management fees	**9,000,081**	7,709,674		
		Administration fees	**300,003**	256,990		
		Settlements	**(7,849,342)**	(16,796,649)	**6,608,233**	5,157,491
Alinma Investment Company	Custodian	Custody fees	**490,604**	445,028		
		Settlements	**(346,622)**	(519,401)	**589,010**	445,028
Fund Board of Directors	Board of Directors	Total compensations to Independent Fund Board Members	**42,000**	42,000		
		Settlements	**(42,000)**	(34,000)	**42,000**	42,000
					7,239,243	5,644,519

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

(Expressed in Saudi Riyal)

8. LEASES

a) Right of use asset

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

	2022	2021
Cost:		
Balance at the beginning of the year	**178,665,735**	178,007,408
Additions during the year	**1,115,755**	658,327
Balance at the end of the year	**179,781,490**	178,665,735
Accumulated depreciation:		
Balance at the beginning of the year	**28,474,632**	18,694,843
Charge for the year	**9,831,213**	9,779,789
Balance at the end of the year	**38,305,845**	28,474,632
Balance as at December 31	**141,475,645**	150,191,103

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

				Fair Value as at December 31,	
Property Name	**Property Type**	**Valuation Method**	**Discount Rate**	**2022**	2021
Gallery Mall	Commercial	Income approach	11% - 11.55%	**171,925,000**	168,597,000

b) Lease liability

The movement in lease liability is as follows:

	2022	2021
Balance at the beginning of the year	**16,379,505**	17,101,709
Paid during the year	**(1,579,000)**	(1,579,000)
Interest charge during the year	**820,613**	856,796
Total lease liability at the end of the year	**15,621,118**	16,379,505

Lease liability is as follows:

	2022	2021
Current portion	**1,055,825**	1,165,321
Non-current portion	**14,565,293**	15,214,184
Total lease liability	**15,621,118**	16,379,505

The weighted average incremental borrowing rate applied to lease liabilities was 5.01%. Total finance cost on lease liabilities for the year ended December 31, 2022 amounted to SAR 820,613 and for the year ended December 31, 2021 amounted to SAR 856,796.

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

(Expressed in Saudi Riyal)

9. INVESTMENT PROPERTIES

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

	2022	2021
Residential and commercial investment properties	**1,858,045,000**	1,523,807,500
Acquisition of properties	-	334,237,500
Development costs	**4,978,145**	3,612,680
Accumulated depreciation	**(93,275,760)**	(59,699,570)
Impairment	**(66,208,772)**	(106,462,993)
	1,703,538,613	1,695,495,117

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

	2022	2021
Balance at the beginning of the year	**106,462,993**	65,326,972
(Reversal of impairment) / impairment	**(40,254,221)**	41,136,021
	66,208,772	106,462,993

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

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 (Note 10) except of Akun warehouses.

(Expressed in Saudi Riyal)

2021:	Lands*	Residential and commercial properties*	Total
Cost:			
Balance at January 1, 2021	455,700,260	1,070,944,945	1,526,645,205
Additions during the year	64,275,282	270,737,193	335,012,475
Balance at December 31, 2021	519,975,542	1,341,682,138	1,861,657,680
Accumulated depreciation:			
Balance at January 1, 2021	-	29,532,043	29,532,043
Charge for the year	-	30,167,527	30,167,527
Balance at December 31, 2021	-	59,699,570	59,699,570
Net book value as at December 31, 2021	519,975,542	1,281,982,568	1,801,958,110
Impairment			(106,462,993)
Balance at December 31, 2021			1,695,495,117

* The residential and commercial properties and lands are mortgaged with a local bank under a credit facility agreement (Note 10) except of Akun warehouses.

(Expressed in Saudi Riyal)

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

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 in 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)

(Expressed in Saudi Riyal)

December 31, 2021

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	(1,796,250)	(15,559,750)	62,594,000	62,594,000
Palazzo Center	Retail	Riyadh	95,632,500	(3,542,439)	(22,925,061)	69,165,000	69,165,000
Al-Malqa Complex	Residential	Riyadh	317,612,680	(19,304,861)	(38,457,819)	259,850,000	259,850,000
Elite Center	Multiple use	Jeddah	164,000,000	(7,863,569)	(7,516,431)	148,620,000	148,620,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,115,680)	(5,769,320)	64,865,000	64,865,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(4,318,360)	(1,716,640)	86,215,000	86,215,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(6,038,600)	-	209,211,400	211,665,000
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(1,332,533)	-	65,292,467	71,160,000
Elegance Tower	Offices	Riyadh	424,350,000	(11,012,750)	-	413,337,250	466,980,500
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(1,173,865)	(8,326,135)	98,000,000	98,000,000
Akun warehouses	Logistics	Jeddah	226,737,500	(2,200,663)	(6,191,837)	218,345,000	218,345,000
			1,861,657,680	(59,699,570)	(106,462,993)	1,695,495,117	1,757,459,500

*Movement on impairment during the year is as follows:

December 31, 2021

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)	(37,500)	(15,522,250)	(15,559,750)
Palazzo Center	(8,965,875)	(13,959,186)	(22,925,061)
Al-Malqa Complex	(48,104,187)	9,646,368	(38,457,819)
Elite Center	-	(7,516,431)	(7,516,431)
Ahlan Court Center	(4,416,839)	(1,352,481)	(5,769,320)
Bin 2 Center	(1,727,221)	10,581	(1,716,640)
Vision Colleges (formerly known as Al-Farabi Colleges)	(2,075,350)	2,075,350	-
Vision Educational Colleges - Jeddah	-	(8,326,135)	(8,326,135)
Akun warehouses	-	(6,191,837)	(6,191,837)
	(65,326,972)	(41,136,021)	(106,462,993)

(Expressed in Saudi Riyal)

The following are the major assumptions used in determining the fair value of investment properties as at December 31, 2022:

Property Name	Valuation Method	Discount Rate
B&Q Retail Company (formerly known as Homeworks Center)	Income approach	9.8% - 12.1%
Palazzo Center	Income approach	8.25% - 11.05%
Al-Malqa Complex	Income approach	7.5% - 10.8%
Elite Center	Income approach	9.5% - 11.55%
Ahlan Court Center	Income approach	8.5% - 11.55%
Bin 2 Center	Income approach	9.25% - 12.3%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	7.5% - 9%
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Income and cost approach	10%
Elegance Tower	Income approach	9.8% - 11%
Vision Educational Colleges - Jeddah	Income approach	7.5% - 9%
Akun warehouses	Income approach	7.25% - 10.5%

The valuations of the investment properties and right of use asset were carried out by White Cubes, and Advanced Abaad and Partner Company, and Valustrat Valuation Company which are valuers accredited by Saudi Authority for accredited values (TAQEEM).

The Fund appointed three 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
Valustrat for Real Estate Valuation Company	Yousus Siddiki	1210001039

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:

	2022	2021
Cost of investment properties and right of use asset	**2,042,804,635**	2,040,323,415
Accumulated depreciation	**(131,581,605)**	(88,174,202)
Investment properties and right of use asset value	**1,911,223,030**	1,952,149,213
Reversal impairment / (impairment)	**51,570,970**	(26,092,713)
Fair value of investment properties and right of use asset	**1,962,794,000**	1,926,056,500

(Expressed in Saudi Riyal)

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

	2022	2021
Equity attributable to unitholders	**1,069,697,376**	1,096,825,756
Unrealized gains arising from revaluation	**117,779,742**	80,370,280
Net asset at fair value	**1,187,477,118**	1,177,196,036

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

	2022	2021
Equity per unit	**7.5860**	7.7784
Unrealized gains arising from revaluation per unit	**0.8353**	0.5700
Net equity per unit - at fair value	**8.4213**	8.3484

10. CREDIT FACILITIES

The Fund has a credit facility agreement with a local bank to obtain bank financing that amounted to SAR 737.5 million as of December 31, 2022 (as of December 31, 2021: SAR 737.5 million). These facilities were obtained mainly according to a financing agreement for the Fund. The facilities agreement is secured by rental collections, and residential and commercial investment properties are mortgaged to the bank and the facilities are charged with financing commissions according to the prevailing rates in the domestic interbank lending market (SAIBOR rate of six months + 2.25% - 2.50% annually) payable at the end of the loan term.

11. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2022	2021
Unearned rental income	**22,387,848**	49,806,024
Refundable deposit	**16,098,018**	16,098,018
Accrued credit facilities interest	**11,758,930**	8,421,994
Accrued properties management fees	**524,303**	1,105,000
Accrued finance charges	**523,182**	548,581
Professional and consulting fees	**354,000**	424,000
Refundable insurance	**343,700**	343,700
Retention payable	**267,732**	267,732
Other credit balances	**950,886**	274,060
	53,208,599	77,289,109

(Expressed in Saudi Riyal)

12. OTHER EXPENSES

	FOR THE YEAR ENDED DECEMBER 31,	
	2022	2021
Utilities expenses	**1,356,500**	1,538,295
Initial registration and listing fees – annual	**707,500**	694,586
Consulting and legal fees	**390,557**	724,350
Investment properties valuation fees	**159,500**	480,975
Additional offering expenses*	**-**	118,279
Other expenses	**941,768**	955,315
	3,555,825	4,511,800

* One-time additional offering expenses include capital structuring fees, finance structuring fees and transaction costs related to due diligence of investment properties.

13. 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 SAR 200,000 per year with a one-time fee of SAR 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.

(Expressed in Saudi Riyal)

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.

14. 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.

15. DIVIDENDS

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

Approval Date	The period paid for	Amount per Unit	Total
January 31, 2021	October 1, 2020 to December 31, 2020	0.125	12,871,377
April 29, 2021	January 1, 2021 to March 31, 2021	0.125	12,871,376
July 29, 2021	April 1, 2021 to June 30, 2021	0.125	17,626,106
October 31, 2021	July 1, 2021 to September 30, 2021	0.125	17,626,106
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

16. 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.

17. LAST VALUATION DATE

The last date for valuation during the year is December 31, 2022.

18. 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 16).

- **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 is not exposed to significant credit risk. Cash at banks is deposited in banks with high credit scores and account receivables and due from a related party.

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, 2022, current liabilities exceeded current assets by SAR 23,251,589 and as of that date, unearned rental income and due to related parties (components of current liabilities) and amounted to SAR 29,627,019 and, therefore, and Fund does not have a significant deficit in working capital.

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**

(Expressed in Saudi Riyal)

December 31, 2021	**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	5,644,519	5,644,519	-
Lease liabilities	16,379,505	1,165,321	15,214,184
Accrued expenses and other credit balances	77,289,109	77,289,109	
	836,813,133	84,098,949	752,714,184

19. 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. 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.

20. 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.

21. SUBSEQUENT EVENTS

On January 31, 2023, the Fund Board of Directors approved the distribution of dividends for the period from October 1, 2022 to December 31, 2022, 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 and provide information declaration starting from 2023.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board of Directors on 3 Ramadan 1444H (March 25, 2023).