RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
Together with
The Independent Auditor's Report

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

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

We have audited the consolidated financial statements of the fund, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in net assets for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, comprising material accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Intenational 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 Consolidated Financial Statements* section of our report. We are independent from 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
Valuation of investment properties	
Riyad REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semiannual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the consolidated financial statements. Refer to the summary of material accounting policies in note 4 relating to impairment of investment properties, note 3 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 11 relating to investment properties.	For impairment of investment properties, we have carried out the following audit procedures: - We obtained two valuation reports from independent real estate evaluators Taqeem certified for each investment properties as at 31 December 2023 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; - We assessed the independence of the external valuers, professional qualifications, competence and experience and ensured that they are certified from Taqeem, and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; - Involved our specialist to assess the key assumptions and estimates, used by the real estate valuation experts in determining the fair values of the investment properties; - Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same; - We reconciled the average fair value of the investment properties as per note 20 to the external valuers' reports; and - Assessing the adequacy of the disclosures in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Fund's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSILDATED FINANCIAL STATEMENTS

Fund's Management is responsible for the preparation and fair presentation of the consolidated 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 SOCPA, the applicable provisions of the Real Estate Investment funds regulations issued by the Capital Market Authority and the fund's terms and conditions, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Fund's management 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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the fund's Board, are responsible for overseeing the Fund's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 "ISA" that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify Identify and assess the risks of material misstatement of the consolidated 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 compiled with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

For Al-Bassam & Co.

Ahmad Mohandis
Certified Public Accountant
License No. 477
Riyadh: 18 Ramadan 1445
Corresponding to: 28 March 2024

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts in SAR)

	Notes	2023	2022
ASSETS			
Cash and cash equivalents	7	**82,937,149**	32,480,182
Accounts receivable	8	**72,251,828**	84,265,661
Inventories		**816,857**	806,615
Prepayments and other assets	9	**37,359,055**	73,583,104
Properties under development	10	**53,320,743**	79,061,339
Investments carried at fair value through profit or loss (FVTPL)	16	**831,914,172**	881,922,929
Investment properties	11	**1,962,279,269**	1,922,702,695
TOTAL ASSETS		**3,040,879,073**	3,074,822,524
LIABILITIES			
Islamic borrowings	13	**1,434,644,291**	1,439,174,419
Accounts payable		**17,714,806**	27,427,114
Unearned rental income	14	**32,976,472**	31,349,528
Accrued expenses and other liabilities	15	**84,757,307**	42,550,941
Employees' end of service benefits		**3,674,234**	3,013,197
TOTAL LIABILITIES		**1,573,767,110**	1,543,515,199
Net assets attributable to the Unitholders		**1,467,111,963**	1,531,307,325
Units in issue *(numbers)*		**171,697,101**	171,697,101
Net assets attributable to each unit at Book value		**8.54**	8.92
Net assets attributable to each unit at Fair value	20	**11.01**	11.34
Commitments and contingencies	22		

The accompanying notes (1) to (29) form an integral part of these consolidated financial statements

RIYAD REIT FUND
(Managed By Riyad Capital)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(All amounts in SAR)

	Notes	2023	2022
Rental and operating income	17	**257,983,271**	210,409,286
Cost of revenues	25	**(59,353,150)**	(45,678,001)
Investment properties depreciation	11	**(33,788,874)**	(30,963,755)
Gross Profit		**164,841,247**	133,767,530
Property management expenses		**(9,482,877)**	(6,886,707)
Fund management fees	12	**(29,021,347)**	(25,565,445)
Custody fees		**(100,000)**	(100,000)
Allowance for expected credit loss	8	**(2,743,132)**	(2,314,053)
General and administrative expenses	18	**(65,720,353)**	(51,741,443)
Net operating income		**57,773,538**	47,159,881
Dividend income from investments carried at FVTPL		**49,544,871**	65,151,271
Realized gain on investments carried at FVTPL		**303,015**	20,532,353
Unrealized gain on investments carried at FVTPL		**-**	8,756
Finance cost	13	**(86,420,340)**	(49,984,877)
Other income		**452,107**	6,059,699
Net income for the year		**21,653,191**	88,927,084
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**21,653,191**	88,927,084

	Notes	2023	2022
Cash from operations			
Net income for the year		**21,653,191**	88,927,084
Investment properties depreciation	11	**33,788,874**	30,963,755
Total Funds from operations		**55,442,065**	119,890,839

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The accompanying notes (1) to (29) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2023
(All amounts in SAR)

	Notes	**2023**	2022
Net assets value attributable to the Unitholders at the beginning of the year		**1,531,307,325**	1,598,624,597
Total comprehensive income for the year		**21,653,191**	88,927,084
Dividends paid during the year	21	**(85,848,553)**	(156,244,356)
Net assets value attributable to the Unitholders at the end of the year		**1,467,111,963**	1,531,307,325

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The accompanying notes (1) to (29) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(All amounts in SAR)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**21,653,191**	88,927,084
Adjustments to reconcile net income to net cash used in operating activities:			
Allowance for expected credit loss	8	**2,743,132**	2,314,053
Realized gain on investments carried at FVTPL	16	**(303,015)**	-
Investment properties depreciation	11	**33,788,874**	30,963,755
Finance cost	13	**86,420,340**	49,984,877
Changes in operating assets and liabilities			
Accounts receivable		**9,270,701**	5,043,394
Inventories		**(10,241)**	424,110
Prepayments and other receivables		**36,224,048**	(4,521,694)
Properties under development		**25,740,595**	(44,880,755)
Accounts payable		**(9,712,308)**	18,370,592
Accrued expenses and other liabilities		**42,206,366**	(29,005,040)
Employees' end of service benefits		**661,037**	18,747
Unearned rental income		**1,626,944**	1,837,157
Finance cost paid	13	**(80,950,468)**	(27,017,238)
Net cash generated from operating activities		**169,359,196**	92,459,042
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments carried at FVTPL	16	**-**	(111,847,631)
Transferred to investment properties	11	**(73,365,448)**	-
Proceeds from sale of investments carried at FVTPL	16	**50,311,772**	84,566,366
Net cash used in investing activities		**(23,053,676)**	(27,281,265)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Islamic borrowings	13	**29,000,000**	92,625,193
Repayment of Islamic borrowings	13	**(39,000,000)**	(37,265,906)
Dividends paid	21	**(85,848,553)**	(156,244,356)
Net cash used in financing activities		**(95,848,553)**	(100,885,069)
Net change in cash and cash equivalents		**50,456,967**	(35,707,292)
Cash and cash equivalents at the beginning of the year		**32,480,182**	68,187,474
Cash and cash equivalents at the end of the year		**82,937,149**	32,480,182
Non-cash transactions			
Transferred from properties under development to investment properties		**(73,365,448)**	-

The accompanying notes (1) to (29) form an integral part of these consolidated financial statements

1. THE FUND AND ITS ACTIVITIES

Riyad REIT (the "REIT" or the "Fund") is a closed-ended Shari'ah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations issued by the Capital Market Authority (CMA). The REIT is listed on Tadawul and units of the REIT traded on Tadawul in accordance with the relevant rules and regulations. The REIT is managed by Riyad Capital (the "Fund Manager"), One Person Closed Joint Stock Company under commercial registration no. 1010239234, and an Authorized Person licensed by the CMA under license no. 07070-37. Also, a 100% owned subsidiary of Riyad Bank. The subscribed units of the REIT equal to 171,697,101 unit. The REIT has a term of 99 years, which is extendable at the discretion of the Fund Manager with the prior approval by the CMA.

The primary investment objective of the REIT is to provide its investors with income by investing in income-generating real estate assets primarily in the Kingdom of Saudi Arabia. While the REIT will primarily invest in such assets, the REIT may opportunistically invest in real estate development projects; provided that (i) at least 75% of the REIT's total assets are invested in developed real estate assets which generate periodic income and (ii) the REIT may not invest in vacant land.

The REIT may on, a secondary basis, invest in development opportunities with profitable growth potentials that cater for specific real-estate needs, previously unavailable in certain areas. An added value is expected, in the medium term, to be created to Unitholders in such development projects. In the long term, the REIT's investment portfolio will continue to focus on attractive investment opportunities in different real-estate sectors, including, but not limited to, offices, trade exhibitions, houses, hospitality facilities, warehouses, etc. in order to build a real-estate base with diverse and stable income to Unitholders as well as achieve reasonable increase in the portfolio value.

These consolidated financial statements include the information of the REIT and its following subsidiaries (Collectively Group) as of 31 December 2023 and 31 December 2022.

Name of subsidiary *	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Durrat Aldahia real estate Company – Burj Rafal Hotel	Hotel	KSA	100%
Durrat Hittin company – Braira Hattin Hotel	Hotel	KSA	100%
Rafal Hotel Company	Hotel	KSA	100%
Takhtit Al Marafiq operations and maintenance	Operating and maintenance	KSA	100%
Shati Al Khobar	Hotel	KSA	100%

* All companies are held in the name of Riyadh Real Estate income Company (the "SPV") "special purpose vehicle" or by companies owned by the SPV. The SPV are holding these companies for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the companies.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulation (the "Regulation") published by CMA on 12 Rajab 1442H (corresponding to 24 February 2021), detailing requirements for all real estate funds and all traded funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA").

Assets and liabilities in the consolidated statement of financial position are presented in the order of liquidity.

3.2 Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared based on the historical cost convention except for investments measured at FVTPL, and the amounts are presented in Saudi Arabian Riyals (SAR), which is REITs functional and presentation currency.

3.3 Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Judgments

Going Concern

REIT's management has assessed REIT's ability to continue as a going concern and is satisfied that the REIT has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubts on REIT's ability to continue as a going concern. Accordingly, these consolidated financial statements have been prepared on the going concern basis.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Significant accounting judgments, estimates and assumptions (Continued)

Estimates

Valuation of investment property

Impairment occurs when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flows model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance each assets performance of the cash-generating unit being reviewed. The recoverable amount is sensitive to the discount rate used for the discounted cash flows model as well as the discounted future cash inflows and the growth rate used for cash flows extrapolation purposes.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the asset-specific risks. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flows calculations.

Residual and useful lives of investment property

The REIT's management determines the estimated useful lives of investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the salvage value and useful lives annually and annual depreciation charge would be adjusted where the management believes the useful lives differed from previous estimates.

Expected credit losses
The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

3. BASIS OF PREPARATION (CONTINUED)

3.3 Significant accounting judgments, estimates and assumptions (Continued)

Estimates (Continued)

Expected credit losses (Continued)

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The material accounting policies used in the preparation of these consolidated financial statements are set out as follows, these policies have been consistently applied to all years, unless otherwise stated.

3.4 Basis of consolidation

Subsidiaries

Subsidiaries are all entities controlled by the Group. Although the fund is an investment entity, the financial statements have been consolidated with the subsidiaries, as the main purpose of establishing these companies is to provide services related to the investment activities of the REIT. Control is achieved when the Group has rights to the returns, from its involvement in the investee and has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- the contractual arrangements with the other voting rights holders in the investee.
- rights arising from other contractual arrangements; and
- the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Basis of consolidation (Continued)

Subsidiaries (**Continued*****)***

Accounting for business combinations involving entities or businesses under joint control

Accounting for business combinations involving entities or businesses under joint control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements by other standard-setters that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretations. Several such entities have issued guidance, and some allow the pooling of interests method in accounting for business combinations involving entities under joint control.

The management has adopted the pooling of interests method to account for the business combinations of entities under joint control. This method involves the following:

- The assets and liabilities of the combined entities are reported at their carrying values (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reported directly in the equity.
- The consolidated statement of profit or loss of the combined entities presents the results of the full year irrespective of when the combination took place.

Non-controlling interest

NCI, if any, are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value on the date when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized profits or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, if necessary, to ensure consistency with the policies adopted by the Group.

4. MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Fund without any restrictions. Cash and cash equivalents are measured at amortized cost within the consolidated statement of financial position.

Accounts receivable

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective interest method. Allowance for impairment of receivables is always measured at an amount equal to lifetime ECL.

Inventories

Inventory is stated at the lower of cost and net realized value. Cost, which is determined on the weighted average basis, comprises expenditure incurred in the normal course of business in getting inventories. Net realized value is the estimated selling price in the ordinary course of business, less the estimated costs necessary for the sale. If necessary, an impairment provision is made for obsolete, slow moving and defective inventory items.

Property under development

Properties acquired, constructed or are under construction and development are classified as development properties. The cost of development properties includes the cost of land and other related expenditure. The property shall be considered completed when all related activities, including the infrastructure and facilities for the entire project, have been completed and handed over for its intended use. The Fund’s management reviews the carrying values of the development properties at each reporting date. Commissions on tawarruq facility associated with properties under development is being capitalized till the related property is ready for use.

Foreign currency

Transactions in foreign currencies are translated into the Saudi Arabian Riyals at the spot prevailing exchange rates on the date of the transactions. The balances of financial assets and financial liabilities denominated in foreign currencies are also translated into Saudi Arabian Riyals at the year-end using the exchange rates prevailing on that date.

For monetary items, the foreign currency gain or loss is the difference between the cost paid in the functional currency at the beginning of the year adjusted at the effective yield rate and payments made during the year, and the cost paid in the foreign currency translated at the exchange rate at the end of the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Currency exchange gains or losses resulting from adjustment and translation operations are recognized in the consolidated statement of comprehensive income.

Investment property

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured within cost model on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment property (Continued)

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to an operating condition for its intended use and capitalized borrowing costs

Useful lives of different components of investment property are as follows:

Items	Useful Life
Building	50 Years
Equipment	15 Years

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment occurs when the carrying value of an asset or cash-generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount as a cash-generating unit. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money asset-specific risks. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-current assets

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 asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determine. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income.

Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision is recognised when the REIT has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and amount can be reliably measured. Provision is not recognised for future operating loss.

Revenue Recognition

The Fund recognises revenue from contracts with customers based on a five-step model*:*

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

The Fund satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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

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

Rental income from lease of investment property

Rental income arising from operating leases on investment properties is recognized, net of discount, in accordance with the terms of leases over the lease term on a straight-line basis, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

Income from hotels operation

Income from hotel services includes income from rooms, food and beverages and other related services provided. Revenue is recognized net of discounts, applicable taxes, and municipal fees on an accrual basis when those services are provided in accordance with IFRS 15.

Dividends income

Dividend income is recognized when the right to receive is established. Dividends are reflected as a component of net trading income, net income from investments at FVTPL, financial instruments or other operating income based on the underlying classification of the equity instrument

Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other finance costs are expensed in the period in which they occur. finance costs consist of interest and other costs that an entity incurs in connection with the financing of funds.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Expenses

Expenses including property management expenses, Fund management fees, custody fees and other fees are recorded on accrual basis.

Zakat

Zakat is the obligation of the Unitholders and is not provided for in these consolidated financial statements. The Zakat amount which is charged in the consolidated statement of comprehensive income is related to the subsidiaries. Zakat charge for the year not recognized in this consolidated financial statement since the amount is not material.

Net Assets (Equity) per unit

The equity per unit is calculated by dividing the equity attributable to the unitholders included in the statement of financial position by the numbers of units outstanding at the year end.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They are classified equally in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor’s share in the Fund’s net assets in the event of the Fund’s liquidation.

Units are classified as equity as they meet all of the following conditions:

- it entitles the holder to a pro rata share of the Fund’s net assets in the event of the Fund’s liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and;
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, and the change in recognized and unrecognized net assets of the fund over the life of the instrument.

Dividends

Dividends to the unitholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Fund's Board.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Recognition and initial measurement

Receivables from operating leases issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets the following conditions:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVOCI if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of comprehensive income.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in income statement. Any gain or loss on derecognition is recognized in consolidated statement of comprehensive income.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period within which the Group changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired, or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

a) the Group has transferred substantially all the risks and rewards of the asset, or
b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, reasonable and supportable forecasts that affect the actual collectability of the future cash flows of the instrument.

Expected credit losses assessment:

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime ECL allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Expected credit losses assessment (continued)

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): the likelihood of a default over a particular time horizon.

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

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment of financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime ECL, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst- and best-case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of ECL reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for the above-mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Portfolio segmentation

The fund assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

Definition of default

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing collateral (if any is held by the Group); or
- the customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents the default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realized or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of comprehensive income.

Specific provision

Specific provision is recognized on customer-to-customer basis at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of borrowings and advances, net of directly attributable transaction costs. The Group's financial liabilities mainly include trade and other payables, related party, and borrowings. After initial recognition, borrowings and advances are subsequently measured at amortized cost using the effective interest method.

Derecognition

The Group derecognizes financial liabilities when the contractual obligations are discharged, cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

Financial liabilities

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognized in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

5. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

New and amended IFRS standards issued and effective in the year 2023

The following amendments to standards relevant to the Fund are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Fund adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

5. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

New and amended IFRS Standards issued but not yet effective

The Fund has not applied the following new and revised IFRS Standards and amendments to IFRS that have been issued but are not yet effective:

Amendments to standards	Description	Effective from accounting period beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Fund’s financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the fund in the period of initial application.

6. MANAGEMENT FEES, OTHER EXPENSES AND TRANSACTIONS FEES

MANAGEMENT FEES, OTHER EXPENSES

On semiannual basis the Fund Manager charges the Fund, management fees at the rate of 1.2 % per annum of the fair value of Fund's total assets. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges.

TRANSACTIONS FEES

Further, the Fund Manager charges the Fund, one-time transaction fee at the rate of 1 % on the acquisition or sale value of the real estate assets purchased or sold by the fund.

7. CASH AND CASH EQUIVALENTS

	Notes	**2023**	2022
Cash on hand		**181,000**	397,588
Investment account	7.1	**57,895,989**	1,896,600
Cash at bank	7.2	**24,860,160**	30,185,994
		82,937,149	32,480,182

7.1 Investment account is held with Riyad Capital, a related party (Note 12). The Fund does not earn commission on these accounts.

7.2 Cash at Bank also includes current account with Riyad Bank, a related party (Note 12). The Fund does not earn commission on these current accounts.

8. ACCOUNTS RECEIVABLE, NET

	2023	2022
Accounts receivable	**87,161,940**	96,432,643
Allowance for expected credit loss	**(14,910,114)**	(12,166,982)
	72,251,826	84,265,661

The summary for the movement of allowance for expected credit loss is as follows:

	2023	2022
1 January	**(12,166,982)**	(9,852,929)
charge for the year	**(2,743,132)**	(2,314,053)
31 December	**(14,910,114)**	(12,166,982)

9. PREPAYMENTS AND OTHER ASSETS

	Notes	**2023**	2022
Dividends receivable		**15,374,661**	26,254,169
Advances to sub-contractors		**7,442,394**	20,845,294
VAT		**4,160,723**	7,731,781
Prepaid expenses		**4,806,335**	2,673,761
Restricted cash		**-**	2,470,003
Cash margin against letter of credit	12	**-**	494,322
Others		**5,574,942**	13,113,774
		37,359,055	73,583,104

10. PROPERTY UNDER DEVELOPMENT

	Notes	**2023**	2022
Balance at the beginning of the year		**79,061,339**	34,180,584
Development cost charge for the year		**47,624,852**	42,514,768
Convert to real estate investing		**(73,365,448)**	-
Islamic financing capitalized		**-**	2,365,987
Balance at the end of the period		**53,320,743**	79,061,339

The property under development represent Al-Fursan Towers which is a commercial property located on King Fahad Road between the Kingdom Tower and the Faisaliah Tower in Riyadh.

11. INVESTMENT PROPERTIES

	Notes	**Land**	**Building**	**Equipment**	**Total**
Cost					
Balance on 31 December 2022		**829,801,226**	**1,082,611,284**	**145,874,217**	**2,058,286,727**
Transferred from properties under development		**-**	**44,269,524**	**29,095,924**	**73,365,448**
Balance on 31 December 2023		**829,801,226**	**1,126,880,808**	**174,970,141**	**2,131,652,175**
Accumulated Depreciation					
Balance on 31 December 2022		**-**	**(97,899,203)**	**(37,684,829)**	**(135,584,032)**
Depreciation charge for the year	11.1	**-**	**(22,185,216)**	**(11,603,658)**	**(33,788,874)**
Balance on 31 December 2023		**-**	**(120,084,419)**	**(49,288,487)**	**(169,372,906)**
Net Book Value:					
Balance on 31 December 2023		**829,801,226**	**1,006,796,389**	**125,681,654**	**1,962,279,269**

11. INVESTMENT PROPERTIES (CONTINUED)

	Notes	Land	Building	Equipment	Total
Cost					
Balance on 31 December 2021		829,801,226	1,082,611,284	145,874,217	2,058,286,727
Additions		-	-	-	-
Balance on 31 December 2022		829,801,226	1,082,611,284	145,874,217	2,058,286,727
Accumulated Depreciation					
Balance on 31 December 2021		-	(76,599,377)	(28,020,900)	(104,620,277)
Depreciation Charge for the year	11.1	-	(21,299,826)	(9,663,929)	(30,963,755)
Balance on 31 December 2022		-	(97,899,203)	(37,684,829)	(135,584,032)
Net Book Value:					
Balance on 31 December 2022		829,801,226	984,712,081	108,189,388	1,922,702,695

This represents twelve properties: namely:

1) Izdhar Center: represents a commercial property located on Othman Bin Afan Road in the Izdihar District (near Al Nakheel Mall). The property is located in Riyadh.
2) Al-Tamayuz Center: represents a commercial property located at the intersection of Al Imam Road and Khalid Bin Al Waleed Street in Qurtoba District. The property is located in Riyadh.
3) Ansam Al Shati Towers: represents a newly built commercial property located on Prince Mohammed Bin Fahad Road in the Al Shati District. The property is located in Dammam.
4) Ascott Tahlia: represents a commercial property located on Tahlia Street near Bin Hamran, one of Jeddah’s most prominent business and shopping centers. The property is located in Jeddah.
5) Residence: represents commercial building and hospitality villas consisting of halls and office suites located within Hittin District. The property is located in Riyadh.
6) Vivienda: represents a newly built hotel villas located on Musa Ibn Nusair Street, Al Mathar Ash Shamali, between Takhasosi road and Prince Turki Bin Abdulaziz Al-Awwal Road. The property is located in Riyadh.
7) Saudi Electronic University: represents a university located in Al-Rabea District. The property is located in Riyadh.
8) Umniah Center: represents a commercial property located on Saud Al-Faisal Road. The property is located in Jeddah.
9) Burj Rafal: Mixed-use property located on King Fahad Road. The property is located in Riyadh.
10) Olaya Tower: Commercial property located in Olaya Street. The property is located in Riyadh.
11) Ascott Corniche Al Khobar: represents a hotel located on Prince Turki Road. The property is located in Al Khobar
12) Al-Raed Building: It is newly developed and leased for a period of three years to the Saudi Tourism Authority, Located in Al-Raed District on King Abdullah Road in Riyadh.

11. INVESTMENT PROPERTY (CONTINUED)

11.1 The Fund charge depreciation on building and equipment over 50 years and 15 years respectively. The depreciation is charged on depreciable value i.e., cost less residual value.

11.2 All properties are held in the name of Riyadh Real Estate Income Company (the “SPV”) “special purpose vehicle” or by companies owned by the SPV. The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the property.

11.3 The Fund manager reviews its investment property on a regular basis for any impairment. An impairment loss is recognized for the amount in which the carrying amount of the investment properties exceeds its recoverable amount, which is the higher of the assets' fair value less costs to sell and value in use. As of December 31, 2023, according to the periodic valuation reports submitted by independent valuers of the Fund, there was a decline in the value of investment property, on two properties, but no impairment loss was recognized as the amount is immaterial.

12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include Riyad Capital (acting the Fund Manager), Riyad Bank (being the shareholder of Riyad Capital) and the Hotels operator.

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

Related Party	Nature of transactions	Amount of transactions 2023	Amount of transactions 2022	Closing balance 2023	Closing balance 2022
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	**-**	-	**-**	494,322
	Current account	**-**	-	**4,503,649**	10,913,938
Riyad Capital	Investments account	**-**	-	**57,895,989**	1,896,600
	Interest on the investment account	**694,936**	-	**-**	-
	Investments carried at FVTPL	**-**	-	**61,838,875**	111,847,631
Due to Related parties					
Riyad Capital	Fund management fees** Transactions fees**	**29,021,347**	25,565,445	**49,709,953**	13,992,491
Riyad Bank	Islamic borrowings	**-**	-	**1,434,644,291**	1,439,174,419
	Finance cost	**86,420,340**	49,984,877	**21,958,327**	16,488,455
	Bank commissions	**781,295**	2,319,167	**-**	-
KASB Capital	Custodian fees	**100,000**	100,000	**-**	-

* Cash margin against letter of credit is included in the consolidated statement of financial position under Prepayment and other assets.

** Fund management fee payable and accrued transactions fee are included in the consolidated statement of financial position under accrued expenses.

13. ISLAMIC BORROWINGS

The Fund obtained Islamic Tawarruq from Riyad Bank through Riyad Capital with maturity during 2024 and obtained Murabaha facilities (shariah-compliant) and Riyad Real Estate Income Company with maturity during 2024 and 2025.

The Islamic Tawarruq from Riyad Bank are secured by pledge of the following properties: Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower, Al Shati Towers, Ascott Corniche Al Khobar, Residence, Vivienda, Al-Fursan Towers, Al-Raed Building, and Al-Tamayuz Center.

	2023	2022
Islamic borrowings	**1,412,685,964**	1,422,685,964
Accrued finance cost	**21,958,327**	16,488,455
	1,434,644,291	1,439,174,419

Details on the accrual of finance cost are as follows:

	2023	2022
Opening balance	**16,488,455**	6,479,184
Charge during the year	**86,420,340**	49,984,877
Islamic financing capitalized	**-**	2,365,987
Paid during the year	**(80,950,468)**	(42,341,593)
	21,958,327	16,488,455

14. UNEARNED RENTAL INCOME

	2023	2022
Opening balance	**31,349,528**	29,512,371
Rental income received during the year	**83,187,712**	81,150,448
Rental income earned during the year	**(81,560,768)**	(79,313,291)
	32,976,472	31,349,528

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	Notes	**2023**	2022
Fund management fees	12	**49,709,953**	13,992,491
Accrued expenses		**8,102,358**	8,436,895
Contract retention		**5,711,837**	3,095,396
Deposits in advance		**5,984,320**	6,005,426
VAT		**2,399,088**	-
Capital replacement reserve		**7,577,158**	3,502,272
Other		**5,272,593**	7,518,461
		84,757,307	42,550,941

16. INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2023	2022
Unquoted local equity investments (16.2)	**770,075,297**	770,075,298
Investment Funds managed by Riyad Capital	**61,838,875**	111,847,631
	831,914,172	881,922,929

16.1 The movement of investments carried at FVTPL:

	2023	2022
As at the beginning of the year	**881,922,929**	854,641,663
Additions during the year	**-**	111,838,877
disposals during the year	**(50,311,772)**	(84,566,367)
Realized gain on investments carried at FVTPL	**303,015**	-
Unrealized gain on investments carried at FVTPL	**-**	8,756
As at the year-end	**831,914,172**	881,922,929

16.2 This represents investments in equity instruments outside the Kingdom of Saudi Arabia.

17. RENTAL AND OPERATING INCOME

	2023	2022
Rental income from investment properties	**81,560,769**	79,384,078
Income from Hotels operation *	**176,422,502**	131,025,208
	257,983,271	210,409,286

*Timing of revenue recognition

	2023	2022
Point in time	**176,422,502**	131,025,208
Over time	**81,560,769**	79,384,078
	257,983,271	210,409,286

18. GENERAL AND ADMINISTRATIVE EXPENSES

	Notes	**2023**	2022
Hotel employees' costs		**22,179,876**	17,677,379
Repairs and maintenance		**7,775,998**	6,256,148
Utilities		**6,228,555**	10,547,959
Marketing expenses		**12,766,798**	5,580,896
Bank commissions	12	**781,295**	2,319,167
Legal and professional fees		**5,612,475**	2,539,428
Software and hardware maintenance		**57,065**	83,845
Telephone and internet		**-**	641,385
Charged on capital replacement reserve		**5,085,024**	2,525,154
Others		**5,233,267**	3,570,082
		65,720,353	51,741,443

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

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

Financial instruments recorded in these financial statements principally comprise of cash and cash equivalents, aaccounts receivable, other liabilities, Islamic borrowings, and accounts payable. The specific methods of recognition adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Fund has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

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

Credit risk

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

An allowance for credit losses is made which is sufficient at management's discretion to cover potential losses on past-due receivables.
On each reporting date, the bank balances are assessed for credit risks as to determine whether they have low risks as they are held with reputable financial institutions having a high local bank credit rating, and there is no default history for any of the bank balances. Therefore, the probability of default PD is based on future factors and any losses resulting from default are negligible. As at the reporting date, there are no past-due payment dates.

Due from related parties and other receivables are unsecured, carry no interest and have no fixed payments. There are no past-due receivables from the related parties at reporting date, considering the historical experience of default and the future of the industries where the related parties operate. The management considers that the related party balances weren’t credit impaired.

When calculating the expected credit loss provision for receivables and due from related parties, a provision matrix is used based on historical loss rates over the expected life of the receivable adjusted for forward-looking estimates.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk (Continued)

The Fund's maximum undiscounted exposures to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

	Notes	**2023**	2022
Cash and cash equivalents	7	**82,756,149**	32,480,182
Accounts receivable	8	**72,251,828**	84,265,661
Dividends receivable		**15,374,661**	26,254,169

Liquidity risk

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

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any obligations as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

31 December 2023	**Less than Year**	**More than Year**	**Total**
Accrued expenses and other liabilities	**78,061,193**	**-**	**78,061,193**
Employees' end of service benefits	**-**	**3,674,234**	**3,674,234**
Accrued commission	**21,958,327**		**21,958,327**
Islamic borrowings	**-**	**1,412,685,964**	**1,412,685,964**
Total Liabilities	**100,019,520**	**1,416,360,198**	**1,516,379,718**

31 December 2022	Less than Year	More than Year	Total
Accrued expenses and other liabilities	42,550,941	-	42,550,941
Employees' end of service benefits	-	3,013,197	3,013,197
Accrued commission	16,488,455		16,488,455
Islamic borrowings	-	1,422,685,964	1,422,685,964
Total Liabilities	59,039,396	1,425,699,161	1,484,738,557

Operational risk

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

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

Geographical Concentration

All the assets and liabilities are distributed within the Kingdom of Saudi Arabia, apart from investments carried at FVTPL which is invested in North America and Belgium.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (CONTINUED)

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund's financial positions and cash flows.

The Fund's interest rate risk arises mainly from short-term loans and deposits, which are at a fixed interest rate and are not subject to re-pricing on a regular basis.

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Fund 's financial positions and cash flows.

The Fund 's interest rate risks arise mainly from its borrowings, which are at variable interest rates and the sensitivity analysis is as follows: -

	2023			
	Income Statement		**Statement of Owners´ Equity**	
	Increase 100 points	**Reduce 100 points**	**Increase 100 points**	**Reduce 100 points**
Interest rate swaps				
Cash-flow sensitivity	**(14,126,859)**	**14,126,859**	**14,126,859**	**(14,126,859)**

	2022			
	Income Statement		Statement of Owners´ Equity	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate swaps				
Cash-flow sensitivity	(14,226,859)	14,226,859	14,226,859	(14,226,859)

20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED

In accordance with the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two valuations prepared by independent valuers. As set out in the terms and conditions of the Fund, net asset value disclosed are based on the market value obtained. However, in accordance with the accounting policy of the Fund, investment and development properties are recorded at cost less accumulated depreciation and impairment if any in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment property and property under development is determined by two appointed valuers for the 12 properties i.e., **Abaad Company** and **Mumtalkati Company** They are certified by the Saudi Authority for Accredited Valuers "Taqeem". As of 31 December, the valuation of investment and development properties is as follows:

20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED (CONTINUED)

2023	**First valuation**	**Second valuation**	**Average**
Investment properties and properties under development	**2,478,200,000**	**2,401,369,000**	**2,439,784,500**
Total	**2,478,200,000**	**2,401,369,000**	**2,439,784,500**

2022	First valuation	Second valuation	Average
Investment properties and properties under development	2,455,800,000	2,380,483,000	2,418,141,500
Total	2,455,800,000	2,380,483,000	2,418,141,500

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment and development properties.

The investment and development properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including discounted cash flows method and income method, Below is an analysis of the development and investment properties fair value versus cost:

	2023	2022
Estimated fair value of investment and development properties based on the average of the two valuations used	**2,439,784,500**	2,418,141,500
Less: the carrying value of		
-Investment properties	**(1,962,279,269)**	(1,922,702,694)
-Properties under development	**(53,320,743)**	(79,061,339)
Estimated fair value in excess of book value	**424,184,488**	416,377,467
Units in issue (numbers)	**171,697,101**	171,697,101
Additional value per unit based on fair value	**2.471**	2.425

Net assets attributable to unitholders:

	2023	2022
Net assets attributable to unitholders as per the financial statements before fair value adjustment	**1,467,111,963**	1,531,307,324
Estimated fair value in excess of book value	**424,184,488**	416,377,466
Net assets attributable to unitholders based on fair valuation of investment and properties under development	**1,891,296,451**	1,947,684,790

20. EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTY IS FAIR VALUED (CONTINUED)

Net assets attributable to each unit:

	2023	2022
Book value of net assets attributable to each unit as per the financial statements before fair value adjustment	**8.54**	8.92
Additional value per unit based on fair value	**2.47**	2.42
Net assets attributable to each unit at fair value	**11.01**	11.34

All properties are held in the name of Riyad Real Estate Income Company (the "Company"), or companies owned by the company. The Company is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest nor cause any risks to the properties.

21. DIVIDENDS

On 13 February 2022, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2021 amounting to SAR 0.47 per unit totalling SAR 80.698 million to its unitholders.

On 29 August 2022, the Fund's Board of Directors approved the distribution of profits for the six-month period ended on June 30, 2022, amounting to SAR 0.44 per unit totalling SAR 75.546 million, to the unit holders.

On 26 March 2023, the Fund's Board of Directors approved the distribution of profits for the six-month period ended on December 31, 2022, amounting to SAR 0.25 per unit totalling SAR 42.924 million, to the unit holders.

On 16 August 2023, the Fund's Board of Directors approved the distribution of profits for the six-month period ended on June 30, 2023, amounting to SAR 0.25 per unit totalling SAR 42.924 million, to the unit holders.

22. COMMITMENTS AND CONTINGENCIES

As at 31 December 2023, the Fund doesn't has outstanding a letter of credit (31 December 2022: SR 0.49 million), being issued by Riyad Bank, against 100% cash margin, which is included in the consolidated statement of financial position under prepayment and other receivables.

23. FINANCIAL INSTRUMENTS CLASSIFICATION

All financial assets and financial liabilities are classified under amortised cost as of 31 December 2023 and 31 December 2022 except for the investments carried at FVTPL.

24. FAIR VALUE MEASUREMENT

Financial assets comprise of accounts receivable and other assets. Financial liabilities comprise of unearned rental income and accrued management fees. The fair value of financial assets and financial liabilities is not significantly different from their carrying value.
The following table shows the fair value of disclosed financial instruments and investment properties as at the year-end:

31 December 2023	**Level 1 SAR**	**Level 2 SAR**	**Level 3 SAR**	**Total SAR**
Investments carried at FVTPL (note 16)	-	-	**831,914,172**	**831,914,172**
Investment property (note 11)	-	-	**1,962,279,269**	**1,962,279,269**
Total	-	-	**2,794,193,441**	**2,794,193,441**

31 December 2022	Level 1 SAR	Level 2 SAR	Level 3 SAR	Total SAR
Investments carried at FVTPL (note 16)	-	50,008,757	831,914,172	881,922,929
Investment property (note 11)	-	-	1,922,702,695	1,922,702,695
Total	-	50,008,757	2,754,616,867	2,804,625,624

The fair value of financial instruments that are not quoted in an active market is determined using valuation methods. These valuation methods maximize the use of observable market data and rely as little as possible on the entity's own estimates. If all significant inputs required to measure the fair value of an instrument are observable, then the instrument is classified within Level 2. If one or more significant inputs are not based on observable market data, then the instrument classified within Level 3. Changes in assumptions of These inputs can affect the reported fair value of items in these financial statements and the level within which items are disclosed in the fair value hierarchy.

Financial assets at fair value through profit or loss that are classified under level 2 include investments in open-ended public funds, whose fair values are determined based on the last recorded net asset value as of the reporting date.

Financial assets at fair value through profit or loss classified within level 3 include investments in closed-end real estate funds which fair values are determined based on the last recorded net asset value as at the reporting date, as well as unquoted equity instruments which recognized at cost price, in accordance with IFRS 9 requirements.

There were no transfers between the different levels of the fair value hierarchy during the current or previous year.
For assets not carried at fair value but for which fair value has been disclosed, valuation of investment properties has been made using discounted cash flows method and income capitalization method based on significant unobservable inputs, and accordingly it is classified within Level 3 of the fair value hierarchy. The principal inputs include:

Discount Rates are that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 8.00% - 10.8%)

Capitalization Rates are based on the actual location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 7.5% - 8.5%)

24. FAIR VALUE MEASUREMENT (CONTINUED)

Future Rental Cash Flows are based on the actual location, type and quality of the properties and supported by the terms of any existing lease or other current contracts or external evidence such as current market rents for similar properties.

Estimated Vacancy Rates are based on current and projected future market conditions after the expiration of the term of any existing lease.

Maintenance Costs, including the investments required to maintain the functional performance of the property over its estimated useful life.

Final Value given the assumptions of maintenance costs, vacancy rates and market rents.

25. OPERATING SEGMENTS

The Fund's primary business is conducted in Kingdom of Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Fund's total assets and liabilities as of 31 December 2022 and 2021, its total operating income and expenses, and the results for the years then ended, by operating segment:

Comprehensive Income	**2023**		
	Rent	**Hotels managed by third party**	**Total**
Rental Income	**81,560,768**	**-**	**81,560,768**
Rooms revenue	**-**	**122,269,929**	**122,269,929**
Food and Beverages revenue	**-**	**49,485,009**	**49,485,009**
Other operating departments	**-**	**4,667,565**	**4,667,565**
Rooms cost	**-**	**(25,842,483)**	**(25,842,483)**
Food and Beverages cost	**-**	**(30,779,775)**	**(30,779,775)**
Other operating departments cost	**-**	**(2,730,892)**	**(2,730,892)**
Investment property depreciation	**(33,788,874)**	**-**	**(33,788,874)**
Gross Profit	**47,771,894**	**117,069,353**	**164,841,247**
Property management expenses	**(2,833,756)**	**(6,649,121)**	**(9,482,877)**
Management fees	**(29,021,347)**	**-**	**(29,021,347)**
Custody fees	**(100,000)**	**-**	**(100,000)**
Allowance for expected credit losses	**(1,000,000)**	**(1,743,132)**	**(2,743,132)**
General and administrative expenses	**(9,279,025)**	**(56,441,328)**	**(65,720,353)**
Net operating income	**5,537,766**	**52,235,772**	**57,773,538**
Dividend income from investments carried at FVTPL	**49,544,871**	**-**	**49,544,871**
Realized gain on investments carried at FVTPL	**303,015**	**-**	**303,015**
Unrealized gain on investments carried at FVTPL	**-**	**-**	**-**
Finance cost	**(86,420,340)**	**-**	**(86,420,340)**
Other income	**452,107**	**-**	**452,107**
Net income for the year	**(30,582,581)**	**52,235,772**	**21,653,191**
Comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year	**(30,582,581)**	**52,235,772**	**21,653,191**

25. OPERATING SEGMENTS (CONTINUED)

Comprehensive Income	2022		
	Rent	Hotels managed by third party	Total
Rental Income	79,384,078	-	79,384,078
Rooms revenue	-	97,045,373	97,045,373
Food and Beverages revenue	-	31,248,494	31,248,494
Other operating departments	-	2,731,341	2,731,341
Rooms cost	-	(23,448,269)	(23,448,269)
Food and Beverages cost	-	(20,151,666)	(20,151,666)
Other operating departments cost	-	(2,078,066)	(2,078,066)
Investment property depreciation	(30,963,755)	-	(30,963,755)
Gross Profit	48,420,323	85,347,207	133,767,530
Property management expenses	(3,203,145)	(3,683,562)	(6,886,707)
Management fees	(13,161,252)	(12,404,193)	(25,565,445)
Custody fees	(100,000)	-	(100,000)
Allowance for expected credit losses	(1,500,000)	(814,053)	(2,314,053)
General and administrative expenses	(4,396,072)	(47,345,371)	(51,741,443)
Net operating income	26,059,854	21,100,028	47,159,881
Dividend income from investments carried at FVTPL	65,151,271	-	65,151,271
Realized gain on investments carried at FVTPL	20,532,353	-	20,532,353
Unrealized gain on investments carried at FVTPL	8,756	-	8,756
Finance cost	(49,984,877)	-	(49,984,877)
Other income	6,059,699	-	6,059,699
Net income for the year	67,827,056	21,100,028	88,927,084
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	67,827,056	21,100,028	88,927,084

25. OPERATING SEGMENTS (CONTINUED)

Financial position		**2023**	
	Rent	**Hotels managed by third party**	**Total**
ASSETS			
Cash and cash equivalents	**67,363,545**	**15,573,604**	**82,937,149**
Accounts receivable	**42,904,009**	**29,347,819**	**72,251,828**
Inventories	**-**	**816,857**	**816,857**
Prepayments and other assets	**29,122,903**	**8,236,152**	**37,359,055**
Properties under development	**53,320,743**	**-**	**53,320,743**
Investments carried at fair value through profit or loss (FVTPL)	**831,914,172**	**-**	**831,914,172**
Investment properties	**1,962,279,269**	**-**	**1,962,279,269**
TOTAL ASSETS	**2,986,904,641**	**53,974,432**	**3,040,879,073**
LIABILITIES			
Islamic borrowings	**1,434,644,291**	**-**	**1,434,644,291**
Accounts payable	**2,081,613**	**15,633,193**	**17,714,806**
Unearned rental income	**32,976,472**	**-**	**32,976,472**
Accrued expenses and other liabilities	**58,975,444**	**25,781,863**	**84,757,307**
Employees’ end of service benefits	**-**	**3,674,234**	**3,674,234**
TOTAL LIABILITIES	**1,528,677,820**	**45,089,290**	**1,573,767,110**

Financial position		2022	
	Rent	Hotels managed by third party	Total
ASSETS			
Cash and cash equivalents	21,295,523	11,184,659	32,480,182
Accounts receivable	47,525,637	36,740,024	84,265,661
Inventories	-	806,615	806,615
Prepayments and other assets	65,966,164	7,616,940	73,583,104
Properties under development	79,061,339	-	79,061,339
Investments carried at fair value through profit or loss (FVTPL)	881,922,929	-	881,922,929
Investment properties	1,922,702,694	-	1,922,702,694
TOTAL ASSETS	3,018,474,286	56,348,238	3,074,822,524
LIABILITIES			
Islamic borrowings	1,439,174,419	-	1,439,174,419
Accounts payable	17,544,371	9,882,743	27,427,114
Unearned rental income	31,349,528	-	31,349,528
Accrued expenses and other liabilities	18,016,990	24,533,951	42,550,941
Employees’ end of service benefits	-	3,013,197	3,013,197
TOTAL LIABILITIES	1,506,085,308	37,429,891	1,543,515,199

26. CHANGES IN FUNDS TERMS AND CONDITIONS

The Fund announced the update of the terms and conditions on 19 Jumada Al-Akhir 1445, corresponding to 18 December 2023.

27. COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2022, have been reclassified to conform with the presentation for the current year. However, the impact of the reclassification was not significant on the presentation of the consolidated financial statements.

28. LAST VALUATION DAY

The last valuation day of the year was 31 December 2023.

29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 16 Ramadan 1445 corresponding to 26 March 2024.