

Annual Report 2023

Al-Jazira REIT Fund

Real Estate Investment Traded Fund (REIT)

December 2023

Fund reports are available upon request and free of charge.



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Al-Jazira Capital and its main address is: P.O. B. 20438 Riyadh 11455, Kingdom of Saudi Arabia, phone 01 12256000, fax 01 12256068. Licensed by the Capital Market Authority under Resolution No. 2-38-2007 and dated 7-8-1428 H, corresponding to 7-22-2007AD according to License No. 07076-37 to practice trading activity As principal and agent, underwriting, managing, arranging, advising and preserving securities business.

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01

ABOUT ALJAZIRA
REIT FUND

Key information

Brief about the Fund:

- > Al-Jazira REIT Fund is a real estate investment fund traded in the Saudi Stock Exchange and complies with the controls of the Sharia Board of Al-Jazira Capital. It was established in accordance with the rules and regulations of the Capital Market Authority.
- > The Fund primarily aims to acquire constructively-developed leased or leasable real estates that represent a minimum of 75% of the total value of the Fund's assets.
- > The fund also targets investment in the field of real estate development and Publicly offered Murabaha Funds in Saudi Riyal, at a rate not exceeding 25% of the total value of the fund's assets.

Listing date	15/02/2017
Fund symbol in Saudi Tadawul	4331
Number of fund units issued	11,800,000 Unit
Fund Term	99 years as of its operation.
Dividend distribution policy	The Fund aims to distribute at least of 90% of the Fund's net profits annually
Fund currency	Saudi Riyal (SAR)
Description of the benchmark and service provider	N/A
Unit Par Value	SAR 10
Unit closing price (As of 12/31/2023)	SAR 16.86

1. Assets in which the fund is investing in:

The fund is mainly investing in Al Khumra Warehouse in Jeddah. The project is composed of two blocks; each block contains 3 compounds with similar area size. Each compound have a number of warehouse between 10 to 12, as follows:

> First compound:	10,584m ² comprising 10 warehouses.
> Second compound:	10,000m ² comprising 12 warehouses.
> Third compound:	11,229m ² comprising 10 warehouses.
> Fourth compound:	10,671m ² comprising 10 warehouses.
> Fifth compound:	12,507m ² comprising 12 warehouses.
> Sixth compound:	10,414m ² comprising 10 warehouses.

Real Estate Name	Khumra Warehouses
Sector	Logistics (warehousing sector)
Ownership	Freehold
Development status	Completely developed
Land Area (m²)	65,387.71
Built-up Area (m²)	65,404
The percentage of rent amount for the asset in the total rent of the fund's	100%
Occupancy rate	100%

2. Assets in which the fund is aiming to invest in

Also, the fund is currently looking for high quality assets in all real estate sectors, and the announcement will be made directly in the event that suitable assets for the fund are reached. There are no other real estate owned by the fund at the date of this report.

Fund Performance

1. Key Performance Indicators

Previous performance of the fund

Total return

Period	One Year	3 Years	5 Years
Fund	9.02%	19.80%	-4.24%

Annual total return

Period	2017	2018	2019	2020	2021	2022	2023
Fund	0.60%	6.10%	-1.41%	-19.08%	5.30%	2.72%	9.02%

Fund fees for the year 2023

Type	Amount including VAT "SAR"	Ratio of fee to average net assets Value
Fund Manager fee	782,117	0.8698%
Custody	50,695	0.0564%
Board Members	22,000	0.0245%
Auditors	35,000	0.0389%
Listed	63,574	0.0707%
Registration	220,000	0.2447%
CMA	7,500	0.0083%
Property Management	234,407	0.2607%
Property Maintenance	207,460	0.2307%
Valuation	6,000	0.0067%
Depreciation	926,354	1.0302%
Other Expenses	134,145	0.1492%
Total Fees	2,689,252	2.9906%

* There were no circumstances in which the fund manager decided waive or rebate any fees for this year.

Comparison table covering the last three fiscal years

Period	2021	2022	2023
Net Asset Value (Fair Value in SAR)	82,534,129	84,779,226	88,009,835
Net Asset Value / Unit (Fair Value in SAR)	6.9944	7.1847	7.4923
(High) NAV/Unit (in SAR)	7.1807	7.2216	7.4923
(Low) NAV/Unit (in SAR)	6.9655	7.1847	7.4437
Number of Units	11,800,000	11,800,000	11,800,000
Dividend per Unit (SAR/Unit)	0.34	0.29	0.3405
Expense Ratio to total assets value	2.98%	%3.5388	2.9906%
Results of comparing the fund's benchmark to the fund's performance	N/A	N/A	N/A
Percentage of borrowed assets in the total asset value	N/A	N/A	N/A
Loan fulfilment period	N/A	N/A	N/A
Loan Maturity	N/A	N/A	N/A
Percentage of the value of the leased real estates to the total value of the owned real estates	100%	100%	100%
Percentage of the value of unleased real estates to the total value of the owned real estates	0.00%	0.00%	0.00%
Percentage of uncollected revenues from total revenues	4.81%	2.07%	3.97%
Percentage of non-cash expenditures from the fund's net profits	21.59%	16.27%	12.78%

2. Any special commission received by the fund manager during the period:
Not applicable

2022

FUND
GOVERNANCE

The fundamental and non- fundamental changes that occurred

► Fundamental Changes:

*There are no fundamental changes for the year 2023.

► Non- Fundamental Changes:

1- An announcement on 24/08/1444 H corresponding to 16/03/2023 G. for updating Aljazira REIT Fund Terms & Conditions which reflects:

- > changing the Shariah Committee for the fund to "Aljazira Capital Shariah Committee"
- > Updating the lease contract information with Al-Moqai Al-Raees Property Management Company.

2- An announcement on 01/05/1445 H corresponding to 15/11/2023 G. for updating Aljazira REIT Fund Terms & Conditions which reflects:

- > Renewal of lease contract of "Astra Food Company Ltd." and "Sawala Warehousing Company".
- > Updating the Fund's revenues and rents for the fund's assets.
- > Amending the mechanism for calculating and paying Fund Management Fees to be calculated and paid on a semi-annual basis.
- > Updating on Fees of Operating, Maintenance and Marketing Manager Item whereby the Fund will pay the cost of periodic maintenance of the Fund's properties.
- > An update that includes valuers obtaining the fellowship of the Saudi Authority for Accredited Valuers.
- > Updating some of the names of the funds supervised by members of the Fund's Board of Directors.
- > Updating the size of managed assets for Aljazira Capital.
- > Adding information and risks related to the Zakat and adding the information about zakat advisor and include related fees among the administrative fees.

Report of the Fund's Board of Directors

► Fund Board Members:

Mr. Bandar Abdulaziz Al-Hogail

Non-Independent

He worked in asset management and real estate investment with more than 16 years of experience. He also contributed to establishing and launching several real estate funds that invest in construction and infrastructure development and income-generating real estate funds.

Eng. Fahad Mohammed Al Jarallah

Independent

He holds a Bachelor Degree in Civil Engineering from King Saud University in Riyadh. He has extensive experience in project management and construction.

Mr. Abdulaziz Al-Tuwajiri

Independent

He holds a Master equivalent high diploma in Advanced Banking Studies, from Institute of Public Administration, Riyadh. He has more than twenty years of experience in banking and investment.

The topics discussed and issued resolutions, including the fund's performance and fund's achievement of its objectives.

**The first meeting of the Fund's Board of Directors
Held on Wednesday on 21 June 2023**

**The second meeting of the Fund's Board of Directors
Held on Monday on 25 Dec 2023**

Topics discussed

- The Board discussed the updates of the Fund during the first half of 2023.
- The board discussed the latest update in the lawsuit demanding "Takhzin Company for Support Services". The Board was informed of the issuance of a preliminary ruling obligating Takhzin Co. to pay an amount of SAR 701,813. as a period of 30 days will be waited from the date of the ruling for the ruling to become final, without the second party appealing the initial ruling.
- The Board discussed the updates in the fund and tenants during the second half of 2023. which include the tenant's request "Al-Moqai Al-Raees Property Management Co." to postpone the rental payment due on 09/30/2023 until January 2024.
- The Board discussed the market study of the Fund's property manager, "Star Link Company," on the rental conditions in Al-Khamra area.
- The Board discussed receiving a verbal proposal from "Tahzeen Company for Support Services," which had previously issued a final ruling from the Court of Appeal in Riyadh obliging him to pay the full rent amounting to SAR 5,226,792. The tenant offered two plans to settle the amounts owed to him. The first proposal: to pay 38% of the amounts owed. According to the final ruling in the amount of SAR 2 million within a period of one month and exempting him from paying the remaining amounts. The second proposal: to pay 48% of the amounts owed according to the final ruling in the amount of SAR 2.5 million within a period of two years and exempting him from paying the remaining amounts, and he was notified to communicate with The Fund's lawyer in order to study the proposal and present it to the Fund's Board.

Report of the Fund's Board of Directors

► Report of the Fund's Board of Directors

The topics discussed and issued resolutions, including the fund's performance and fund's achievement of its objectives.

The first meeting of the Fund's Board of Directors Held on Wednesday on 21 June 2023

The second meeting of the Fund's Board of Directors Held on Monday on 25 Dec 2023

Issued resolutions before the meeting

- Approval on the maintenance costs for fixing the roof of the tenant "Astra Company".
- Approval of the financial statements of The Fund for the fiscal year ending on Dec 31, 2022 AD.
- Review the requirements of the report that includes an evaluation of the performance and quality of services provided by the parties concerned with providing essential services to the Fund.
- Evaluate the mechanism of the Fund Manager's dealing with risks related to the Fund's assets in accordance with the Fund Manager's policies and procedures regarding monitoring the risks related to the Fund and how to deal with them.
- Review the report containing all complaints and the actions taken regarding them.
- Approval to amend the trade name of Sawala Company "Abaker" previously in the electronic contract.
- Approval to amending the Fund's terms and conditions.
- Approval of the Engagement letter from PKF Al Bassam & Co. to submit annual zakat returns from the year 2018 until the year 2022 AD and to review and audit the annual financial statements as of December 31 of the year 2018 until the year 2021 AD.
- Approval to pay the amount related to the real estate appraiser assigned by the court, "Asset Valuation Company for Real Estate Appraisal,".
- Approval to renew the lease contract for both Astra Company contract and Sawala Company.
- Approval of the report containing an evaluation of the performance and quality of services provided by the parties concerned with providing essential services to the Fund for the year 2022 for the property manager.
- Approval of the initial financial statements for the year ending December 31, 2022 AD.
- Approval of the Engagement letter from PKF Al Bassam & Co. for the Fund SPV "Mawten Al-Jazira Real Estate Company".
- Approval of amending the Fund's terms and conditions and the proposal submitted by the Fund's Zakat Advisor (Deloitte).
- Approval to distribute cash dividend to unitholders of the Fund.

Fund Service Providers

Chartered Accountant:



Name PKF Al Bassam & Co.
Address KSA. P.O. Box 28355, Riyadh 11437 Prince Muhammad Bin Abdulaziz (Tahlia) St., Sulaymaniyah district.
Contact Tel.: +966 11 2065333
<http://www.pkf.com/saudi-arabia>

OMM Manager:



Name Star Link Real Estate
Address KSA.P.O. Box 20179, Jeddah 21413. Prince Sultan St., North of Tarikh Roundabout, Al-Sultanh Tower
Contact Tel.: 920005963
Fax: +966 12 6553846
www.starlink.co

Valuators:



Valuator Name 1 AMAM Real Estate Appraisal
Contact Tel. +966599322422
www.amamsaudicom



Assets Valuation تقييم الأصول

Valuator Name 2 Barcode
Contact Tel. 920005564
www.barcode-sa.com

Zakat & Tax Advisor:



Name Deloitte and Touche & Co.
Address KSA. P.O. Box: 213, Riyadh 11411
Contact Tel.: +966 11 2256000
www.aljaziracapital.com.sa

Fund Manager:



Name Aljazira Capital
Address KSA. P.O. Box 20438, Riyadh 11455
Contact Tel.: +966 11 2256000
www.aljaziracapital.com.sa
Sub-fund manager N/A

Custodian:



Name Alinma investment
Address KSA, P.O. Box 66333, Riyadh, King Fahd Road, Olaya
Contact Tel.: +966 11 2185999
www.alinmainvestment.com
Sub-custodian N/A

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FUND ANNUAL
RISK ASSESSMENT

Fund Annual Risk Assessment

► Risk Assessment Report



Fund Name

Aljazira REIT Fund.



Fund term

99 years from the beginning of the fund.



Fund Type

Real estate investment traded fund in compliance with Islamic Sharia regulations, traded in the Saudi Stock Exchange (Tadawul).



Risk Level

Medium.



Fund Objective

A closed-end real estate investment traded fund aims to invest in developed properties that qualified to generate periodic rental income and to distribute at least 90% of fund's net profits in cash to investors, at least once a year, during the third quarter of each year, after collecting the rental income. The fund will mainly invest in Al-khumra warehouses in Jeddah, These warehouses are completely owned by the Aljazira Income Real estate Fund.




Fund Annual Risk Assessment

	 Potential Risks	 Risk Description	 Risk Mitigation
1	Real Estate Market Risk	Real estate prices may fluctuate which could lower valuation hence negatively impact the NAV.	This Risk was disclosed and accepted by unit holders.
2	Inflation Risk	Risk of rental income not linked to inflation which will impact the fair value of the portfolio.	Rental income are be regularly adjusted as per the rental contracts.
3	Execution Risk	Due to the possibility of investing up to 25% of the fund's value in assets under development, the fund could face risk of delays in the developments of projects.	We do not have any current investments in development projects, and there are no plans for the fund to invest in real estate development projects.
4	Insurance Risk	<ul style="list-style-type: none"> > Real estate estate insurance. > The increase in The total costs of maintenance and renovation of existing properties due to unforeseen expenses resulting from natural events or any other reason. 	In the event of damage to the warehouses during the validity of the lease contract, such as fire, the contract obliges the tenant to conclude an insurance contract to cover any damages to the property or bear the costs of repairing these damages in the event that he does not wish to conclude an insurance contract the tenant must return the property as it was before the damage occurred. Further, external periodic maintenance of warehouses like maintenance of the roofs etc are done as part of the fund's revenues to cover these expenses. Additionally, an insurance gap analysis will be performed consisting of obtaining from the tenants all the insurance policies and double check the sum insured which should be in line with the replacement cost.
5	Occupancys Risk	The inability to achieve the expected occupancy rates, which affects the profitability of the Fund.	The current occupancy rate is 100%. The fund operator addresses the tenant 3 months before the end of his contract to find out his desire to renew the contract, or start looking for another tenant according to the updated real estate rental prices.




Fund Annual Risk Assessment

 Potential Risks	 Risk Description	 Risk Mitigation	
6	Credit Risk	The risk of payment default by existing or new tenants on account of low credit quality of tenants.	The risk of inability to pay the rent by one tenants is possible. Moreover, it is one of the risks that were disclosed within the investment risks in the fund terms and conditions. One of the tools to reduce this risk. Is assessing the ability of the new tenants in order to ensure their ability to pay, through the Ministry of justice website and their credit history by the fund management.
7	Collection Risk	The risk of non-payment by tenants on time.	The fund manager seeks that all lease contracts be through the unified housing lease contract of the Ministry of Housing, which an executive bond is considered in the event that the tenant does not pay the rent value on time. When conducting credit assessment, the teanant capitalization will be particularly reviewed to ensure that in case of court execution, the tenant will have adequate capital/assets so that that the Fund could recover the unpaid rental.
8	Liquidity Risk	<ul style="list-style-type: none"> > Less liquidity in the real estate market may affect the valuation of the fund's properties or make it difficult to exit some of the fund's assets with the required returns within the given time limit. > The possibility of a decrease in the value of the assets in the future as a result of market conditions. 	There is no plan to sell an asset.
9	Strategic Risk	Real estate profitability is affected in the medium and long term as a result of the inability to devise and implement the appropriate strategy.	The fund has strategy to increase its assets by increasing the capital size. With high quality assets that generate an attractive returns. The fund board reviews the fund strategy frequently.

Fund Annual Risk Assessment

 Potential Risks	 Risk Description	 Risk Mitigation	
10	Concentration Risk	<ul style="list-style-type: none"> > Concentrating all real estate assets on one sector or one geographical area, which may have a negative impact on the fund in case the sector exposes to issues in the future. > Concentration of most or all of the leased assets on a single tenant, which may cause negative results in the event that the tenant fails to pay the rents. 	<p>The fund established with the disclosure of the current risks with the same focus on investing in one sector, and it was accepted by investors, and disclosed in the fund's terms and conditions. The assets are relatively diversified between different tenants. The top 3 tenants account for 58% of the total Revenue of which one tenant accounts for 24%.</p>
11	VAT Risk	<p>Given the complex procedures and continuously changing requirements of VAT refund, the fund might not be able to recover the VAT expenses that have been paid which would negatively impact the fund performance.</p>	<p>VAT Advisor was appointed by the Fund Manager to manage VAT matters Real Estate Operations Division is also closely involved to meet all regulatory requirements.</p>
12	Changes in Economic Conditions	<ul style="list-style-type: none"> > Changes in economic conditions, including, for example: inflation rates, political events and trends and other factors that affect the Fund's opportunities. > The fluctuation of interest rates, which affects the fund in the event that it invests in murabaha financial securities or when obtaining loan to finance the fund's assets. 	<p>Economic changes are taken into account and reviewed periodically by the fund manager. studies of economic conditions and their impact would be conducted to quantify the impact on the demand for rents and rental prices. The fund does not have any financing.</p>
13	Operation, Maintenance and Marketing Manager Risk	<ul style="list-style-type: none"> > Negligence of the Operation, Maintenance and Marketing manager in carrying out his assigned duties. > Early termination of the contract of operation, maintenance and marketing manager, which may negatively affect the real estate operations. 	<p>The performance of the Fund operator is reviewed, and to be replaced in case any observation accrued. The current operation, maintenance and marketing manager was chosen after conducting a review on three companies with the approval of the fund Board, and no observation on the manager has accrued since then.</p>
14	Key Personnel Risk	<p>The inability to attract or retain key employees which may affect the fund objective and performance.</p>	<p>The fund manager has a qualified staff with experience in managing a generating-income real estate fund.</p>

Fund Annual Risk Assessment

	 Potential Risks	 Risk Description	 Risk Mitigation
15	Shariah Risk	Failure to comply with Shariah regulations, which may lead to abandoning the investment or part of it.	The Sharia committee conduct quarterly review of the fund.
16	Valuation Risk	Evaluating the value of the property to present an estimate of its value by independent appraisers or in cases of internal evaluation.	All appraisers of the fund have licenses to practice the profession of real estate appraisal according to the Saudi Authority for Accredited Valuers, and the appraisers are discussed and the reasons are set in the event of a large difference.
17	No Guarantee of Dividends Distributions	Although, according to the guidelines of the real estate investment traded funds, the fund is required to distribute at least 90% of its net income to the unitholders annually. There are no guarantees on future distributions amounts, also the fund may not able to make any distribution. Due to unforeseen events or a decrease in revenues that may affect the fund performance.	The risk of fluctuation of the fund's revenues and distributions as a result of a default by one of the tenants is possible, which is one of the risks that were disclosed within the investment risks in the fund terms and conditions, and among the tools to reduce these risks, the fund manager seeks that all lease contracts be through the unified housing lease contract of the Ministry of Housing, which An executive bond is considered in the event that the tenant does not pay the rent value on time. The dividends distributed has increased by 16.5% Y/Y.
18	Potential Conflicts of Interest	Conflict may result in the fund as an unintentional bias, due to its involvement with different parties the fund managers, administrator, and Maintenance that may be associated with the subsidiary companies of the fund.	The fund manager seeks to avoid any conflict of interest between the fund manager and related parties, and in the event that it occurs, the fund manager will present it to the fund board for approval or rejection to ensure the interest of the fund unit holders.

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FUND FINANCIAL STATEMENT



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The financial statements for the annual accounting period of the investment fund are prepared in accordance with the accounting standards approved by the Saudi Authority for Auditors and Accountants.

**AL-JAZIRA REIT FUND
(MANAGED BY ALJAZIRA CAPITAL COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
WITH INDEPENDENT AUDITOR'S REPORT**

AL-JAZIRA REIT FUND
A Real Estate Investment Traded
Financial Statements
For the year ended 31 December 2023
with the Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL JAZIRA REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

(1/5)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Al Jazira REIT Fund ("the Fund") managed by Al Jazia Capital Company (the Fund Manager) as at 31 December 2023, and its financial performance and its 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 financial statements of the fund, which comprise of the following:

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent 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 financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AI JAZIRA REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
Valuation of investment properties	
<p>Al Jazira REIT Fund owns a portfolio of investment properties comprising of commercial warehouses located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.</p> <p>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.</p> <p>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.</p> <p>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 financial statements.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> ■ We obtained two valuation reports from independent real estate evaluators Taqueem 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 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; ■ 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 except for certain properties, which had an immaterial impairment impact and thus not recorded by the Fund's management; and ■ We reconciled the average fair value of the investment properties as per note 15 to the external valuers' reports.



INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL JAZIRA REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Fund's 2023 annual report, other than the 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 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 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 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 FINANCIAL STATEMENTS

Fund's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL JAZIRA REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "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 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 and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

RIYADH

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INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
AL JAZIRA REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA

(5/5)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE 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 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 A. Mohandis
Certified Public Accountant
License No. 477
Riyadh: 18 Ramadan 1445
Corresponding to: 28 March 2024

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AL-JAZIRA REIT FUND
A Real Estate Investment Traded
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(Amounts in SAR)

	Note	As at 31 December 2023	As at 31 December 2022
<u>ASSETS</u>			
<u>Current assets</u>			
Cash at bank	8	1,284,231	822,695
Rent receivable, net	9	64,024	-
Accrued Lease Income		241,557	125,935
Prepayments and other assets	11	83,134	193,000
Total current assets		1,672,946	1,141,630
<u>Non-current assets</u>			
Investment properties, net	12	88,914,364	85,989,904
Total non-current assets		88,914,364	85,989,904
Total assets		90,587,310	87,131,534
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Accrued fund management fees	13	198,513	190,655
Unearned rental income	14	1,949,700	1,746,961
Accrued custodian fees		101,390	50,695
Accrued expenses and other liabilities		327,872	363,997
Total current liabilities		2,577,475	2,352,308
Total liabilities		2,577,475	2,352,308
NET ASSETS ATTRIBUTE TO UNITHOLDERS		88,009,835	84,779,226
Units in issue (numbers)		11,800,000	11,800,000
Assets carrying value attribute for the unit		7.46	7.18
Assets fair value attribute for the unit	15	7.49	7.18

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

AL-JAZIRA REIT FUND
A Real Estate Investment Traded
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
(Amounts in SAR)

	<u>Note</u>	<u>For the year ended 31 December 2023</u>	<u>For the year ended 31 December 2022</u>
<u>INCOME</u>			
Rental income from investment property	10	5,975,801	6,024,734
Realized gain from investments carried at FVTPL		-	6,108
Total income		5,975,801	6,030,842
<u>EXPENSES</u>			
Properties management expenses		(234,407)	(235,953)
Fund management fees	13	(782,117)	(758,203)
Reversal of impairment in investment	12	3,850,814	2,605,744
Other income		112,246	39,743
Depreciation of investment properties	12	(926,354)	(926,353)
Other expenses	16	(695,679)	(1,010,585)
Custodian fees		(50,695)	(50,139)
Total Expenses		1,273,808	(335,746)
Net income for the year		7,249,609	5,695,096
Other comprehensive income		-	-
Total comprehensive income for the year		7,249,609	5,695,096

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

AL-JAZIRA REIT FUND

A Real Estate Investment Traded

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**For the year ended 31 December 2023**

(Amounts in SAR)

	<u>Note</u>	<u>For the year ended 31 December 2023</u>	<u>For the year ended 31 December 2022</u>
Net assets value attributable to the unitholders at the beginning of the year		84,779,226	82,534,130
Total comprehensive income for the year		7,249,609	5,695,096
Dividends during the year	20	(4,019,000)	(3,450,000)
Net assets value attributable to the unitholders at the end of the year		<u>88,009,835</u>	<u>84,779,226</u>

The accompanying notes 1 to 24 form an integral part of these financial statements

AL-JAZIRA REIT FUND
A Real Estate Investment Traded
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(Amounts in SAR)

	<u>Notes</u>	31 December 2023	31 December 2022
OPERATING ACTIVITIES			
Net income for the year		7,249,609	5,695,096
<i>Adjustments to</i>			
Realized gain from investments carried at FVTPL	13	-	(6,108)
Investment properties depreciation	12	926,354	926,353
Reverse impairment in investment properties	12	(3,850,814)	(2,605,744)
Changes in operating assets and liabilities:			
Rent Receivable		(64,024)	287,661
Accrued Lease Income		(115,622)	(125,935)
Prepayments and other assets		109,866	(152,863)
Accrued management fees		7,858	(195,529)
Unearned rental income		202,739	18,678
Accrued custodian fees		50,695	(74,861)
Accrued expenses and other liabilities		(36,125)	(85,641)
Net cash generated from operating activities		4,480,536	3,681,107
INVESTING ACTIVITIES			
Proceeds from selling investments at FVTPL	10	-	4,906,108
Payments to purchase investments at FVTPL	10	-	(4,900,000)
Net cash generated from investing activities		-	6,108
FINANCING ACTIVITIES			
Dividends	19	(4,019,000)	(3,450,000)
Net cash used in financing activities		(4,019,000)	(3,450,000)
Net change in cash in bank balances during the year			
		461,536	237,215
Cash and cash equivalents at the beginning of the year		822,695	585,480
Cash in bank balances at the end of the year	8	1,284,231	822,695

The accompanying notes 1 to 24 form an integral part of these financial statement

AL-JAZIRA REIT FUND

A Real Estate Investment Traded

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in SAR)

1) THE FUND AND ITS ACTIVITIES

The Al Jazira REIT Fund ("REIT") is a Shariah compliant real estate investment traded fund. The fund operates in accordance with the Real Estate Investment Funds Regulations and REIT Regulations issued by the Capital Market Authority (CMA). The fund is listed on the Saudi Stock Exchange ("Tadawul") and traded on the Tadawul in accordance with its rules and regulations. The size of the fund is 118 million Saudi riyals, The REIT has a term of 99 years from the beginning of its operation.

Al-Jazira Financial Markets Company ("Fund Manager"), a Saudi Closed Joint Stock Company registered under Commercial Registry No. 1010351313, authorized to a person by the Capital Market Authority with License No. 07076-37, runs a REIT.

Alinma Investment Company ("Custodian") is the Custodian of the Fund.

The main investment objective of the fund is to invest in structurally developed real estate that generates periodic income and distributes a percentage of no less than 90% of the fund's net profits in cash to investors during the fund's operating period at least once annually during the third quarter of each year subject to rent collections and fund dividends policy. The fund has invested mainly in warehouses in Jeddah.

2) REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") issued by the CMA. The regulations detail the requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3) BASIS OF PRESENTATION

3.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting and the going concern concept except for financial assets measured at fair value through profit or loss.

3.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR, unless otherwise stated.

3.4 Comparative information

The Fund has presented the comparative information for the year ended 31 December 2022.

AL-JAZIRA REIT FUND

A Real Estate Investment Traded

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in SAR)

4) MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 *Judgments*

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements. Judgement has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

4.1.1 *Going concern*

The Fund's manager has made an assessment of Fund's ability to continue as a going concern and is satisfied that the Fund 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 doubt on Fund's ability to continue as a going concern.

4.2 *Assumptions and Estimation Uncertainties*

4.2.1 *Impairment of investment properties*

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent 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 written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

For investment properties, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the REIT estimates the assets or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

The Fund recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

4) MATERIAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Assumptions and Estimation Uncertainties (Continued)

4.2.2 Impairment of financial assets held at amortised cost

ECL are recognised in three stages. The expected credit loss rates are estimated using a provision matrix based on the payment profile of receivables before each reported period and corresponding historical credit losses experienced within the 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 to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in these factors.

the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due

financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- The debtor is unlikely to pay its credit obligation to the fund in full, without recourse by the Fund to actions such as opening a legal case against him. or
- The financial asset is more than 180 days past due,

The expected credit loss approach breaks 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:

Probability of Default (PD): The likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Loss Given Default: It is defined as the percentage risk of exposure that is not expected to be recovered in the event of default. It is usually expressed as a percentage of the EAD. 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.

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

As at the year end, the Fund has rents receivables as financial assets carried at amortised cost. The Fund applies a general approach in calculating ECL. The Fund has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables is disclosed in note 9 and 19.1 in these financial statements.

AL-JAZIRA REIT FUND

A Real Estate Investment Traded

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Amounts in SAR)

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash in current accounts with a local bank. Cash and cash equivalents are measured at amortized cost in the statement of assets and liabilities.

Rent receivable

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

Investment properties

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 at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any. The cost is amortized minus the residual value of the real estate investment over the 30-year useful life or the term of the fund, whichever is lower.

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 a working condition for their intended use and capitalized borrowing costs.

Impairment exists 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 Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 and risks specific to the asset. 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 assets 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.

5) SUMMARY OF 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 revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the 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 commission rate method. A provision is recognised when the Fund 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 a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

Rental income

When the Fund acts as a lessor, it determines at the inception of the lease whether each lease represents a finance lease or an operating lease.

To classify each lease, the Fund conducts a comprehensive assessment of whether the lease transfers to the lessee substantially all of the risks and rewards associated with ownership of the underlying asset. If this is the case, the lease is a finance lease and if not, it is considered an operating lease. As part of this assessment, the Fund considers indicators such as whether the lease represents a major part of the economic life of the asset.

The Fund has assessed that all of its leases are operating leases. Properties that have been leased under operating lease contracts are included under investment property in the statement of financial position.

Rental income from operating leases is recognized using the straight-line method over the term of the lease. When

the Fund provides incentives to tenants, the cost of the incentives is recognized over the term of the lease, on a straight-line basis, as a reduction of rental income.

Management fee

The Fund Manager charges the Fund, management fee at the rate of 0.9 percent per annum of the net fair value of fund's assets value, which is paid on semi-annual basis.

Custodian fee

The fund pays the custodian an annual fee of a maximum of 0.1 percent per annum of the net fair value of the assets of the fund, which is paid quarterly to the Custodian of the Fund.

Board of directors' fee

The Board of Directors shall be entitled to a maximum amount of SAR 22,000 for attending minimum of two meetings annually, which are due on a monthly basis and paid annually to the Fund Board.

Other expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred on an accrual basis.

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

Zakat

Zakat is an obligation on Unitholders and, accordingly, no provision for this obligation is included in these financial statements.

Distribution

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

The Fund has a policy of distributing dividends on annually basis for at least 90% of its net profit at a minimum during the third quarter of each year in case of the completion of lease collection, and after the approval of the Fund's Board of Directors, not including profit resulting from the sale of the underlying real estate assets.

Equity per unit

The net asset value of each unit is calculated by dividing the property rights of the owners of the units listed in the balance sheet by the number of units outstanding at the end of the year.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. They rank *Pari passu* 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 net assets in the event of the Fund's liquidation.

Units are classified as equity as it meets 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, the change in recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

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 Fund 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.

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

Financial instruments(continued)

Recognition and initial measurement(continued)

Financial assets

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

A financial asset is measured at amortized cost if it meets both of 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 FVTOCI 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 FVTOCI.

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.

Measurement Category	IFRS 9		
	Carrying amount	Carrying amount	
	2023	2022	
Financial assets			
Cash at banks	Amortized cost	1,283,737	822,695
Rent receivable, net	Amortized cost	64,024	-

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

Financial instruments(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 profit or loss.
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 profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund 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 Fund 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 Fund 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 Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Expected credit loss assessment:

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

- financial assets measured at amortized cost

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 and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks 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.

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

Financial instruments(continued)

Expected credit loss assessment(continued):

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 committed facilities.

Model and Framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment on 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 expected credit losses, 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 expected credit losses 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.

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 Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, 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 statement of profit or loss. 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 Fund. 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 statement of profit or loss.

Specific provision

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

5) SUMMARY OF MATERIAL ACCOUNTING POLICIES(CONTINUED)

Financial instruments(continued)

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 Fund 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.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables and related party.

After initial recognition, the financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Measurement Category	IFRS 9	
	Carrying amount 2023	Carrying amount 2022
Financial liabilities		
Accrued fund management fees	Amortized cost	198,513
Accrued custodian fees	Amortized cost	101,390
		190,655
		50,695

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund 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 Fund 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 statement of profit or loss.

Financial liability

The Fund 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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the 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 Fund'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.

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6) NEW STANDARDS, THEIR INTERPRETATIONS AND AMENDMENTS

New standards, amendments and interpretations issued and effective from 1 January 2023

The accounting policies adopted, and method of computation followed are consistent with those of previous financial year except for the items disclosed below:

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.

These amendments had no material impact on the financial statements of the Fund.

6) NEW STANDARDS, THEIR INTERPRETATIONS AND AMENDMENTS (CONTINUED)

New standards, amendments and interpretations effective 1 January 2023 and have not early adopted

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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.

7) ACCRUED FUND MANAGEMENT FEES AND OTHER

Management fees

The fund pays the fund manager a management fee of 0.9% per annum of the net fair value of the fund's assets, which is paid on a semi-annual basis.

Custody fees

The Custodian is entitled for a fee up to a maximum of 0.1% per annum of the net fair value of the assets to be paid on a quarterly basis.

Performance fee

The Fund Manager is entitled to 5% performance fee, the positive difference between the sale price of any property owned by the fund and the purchase price.

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7) ACCRUED FUND MANAGEMENT FEES AND OTHER (CONTINUED)

Operating, maintenance and marketing fees

The Property Manager is entitled for a fee of 4% per annum of the rental income collected.

Others

The fund also pays the administrative fees to cover direct expenses related to the fund's business, such as the actual costs related to preparing and printing bulletins, reports and notices to investors, remuneration for members of the board of directors, supervisory fees, external auditors, appraisers' fees, zakat advisory fees and any other parties providing services to the fund and any exceptional expenses, with a maximum 0.25% per annum of the net fair value of the assets.

8) CASH AT BANKS

		<u>31 December 2023</u>	<u>31 December 2022</u>
Bank balances	14	1,284,231	822,695
		<u>1,284,231</u>	<u>822,695</u>

*The balances are held with Al-Jazira Bank ("Related Party").

9) RENT RECEIVABLE, NET

	<u>note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Lease receivable		5,290,816	5,226,792
Provision for expected credit losses	9-1	(5,226,792)	(5,226,792)
		<u>64,024</u>	<u>-</u>

9-1 The movement for expected credit losses during the year is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the year	(5,226,792)	(5,226,792)
Reversal during the year	-	-
Balance at the end of the year	<u>(5,226,792)</u>	<u>(5,226,792)</u>

Overdue and impaired value

Year	Total	From 1 to 90 days	From 91 to 180 days	From 181 to 270 days	From 271 to 365 days	More than 365 Days
31 December 2023						
Total	5,290,816	64,024	-	-	-	5,226,792
Expected credit losses	5,226,792	-	-	-	-	5,226,792
Coverage rate	98.79%	0%	-	-	-	100%
31 December 2022						
Total	5,226,792	-	-	-	-	5,226,792
Expected credit losses	5,226,792	-	-	-	-	5,226,792
Coverage rate	100%	-	-	-	-	100%

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10) RENTAL INCOME FROM INVESTMENT PROPERTY

	<u>31 December 2023</u>	<u>31 December 2022</u>
Rental income from warehouses lease	<u>5,975,801</u>	<u>6,024,734</u>
	<u>5,975,801</u>	<u>6,024,734</u>

11) PREPAYMENTS AND OTHER ASSETS

	<u>31 December 2023</u>	<u>31 December 2022</u>
Real estate management fees	<u>55,098</u>	<u>69,878</u>
Reclaim VAT	<u>28,036</u>	<u>123,122</u>
Balance at the end of the year	<u>83,134</u>	<u>193,000</u>

12) INVESTMENTS PROPERTIES, NET

As at 31 December 2023

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>			
Balance beginning of the year	<u>90,209,401</u>	<u>27,790,599</u>	<u>118,000,000</u>
Balance end of the year	<u>90,209,401</u>	<u>27,790,599</u>	<u>118,000,000</u>
<u>Accumulated Depreciation</u>			
Balance beginning of the year	-	<u>(5,247,021)</u>	<u>(5,247,021)</u>
Depreciation charge during the year	-	<u>(926,354)</u>	<u>(926,354)</u>
Balance end of the year	-	<u>(6,173,375)</u>	<u>(6,173,375)</u>
<u>Impairment in value</u>			
Balance beginning of the year	<u>(25,651,980)</u>	<u>(1,111,095)</u>	<u>(26,763,075)</u>
Reverse in value (12-4)	<u>2,739,719</u>	<u>1,111,095</u>	<u>3,850,814</u>
Balance end of the year	<u>(22,912,261)</u>	<u>-</u>	<u>(22,912,261)</u>
<u>Book Value:</u>			
Balance as at 31 December 2023	<u>67,297,140</u>	<u>21,617,224</u>	<u>88,914,364</u>

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12) INVESTMENTS PROPERTIES, NET (CONTINUED)

As at 31 December 2022

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>			
Balance beginning of the year	90,209,401	27,790,599	118,000,000
Balance end of the year	90,209,401	27,790,599	118,000,000
<u>Accumulated Depreciation</u>			
Balance beginning of the year	-	(4,320,668)	(4,320,668)
Depreciation charge during the year	-	(926,353)	(926,353)
Balance end of the year	-	(5,247,021)	(5,247,021)
<u>Impairment in value</u>			
Balance beginning of the year	(27,334,905)	(2,033,914)	(29,368,819)
Reverse in value (12-4)	1,682,925	922,819	2,605,744
Balance end of the year	(25,651,980)	(1,111,095)	(26,763,075)
<u>Book Value:</u>			
Balance as at 31 December 2022	64,557,421	21,432,483	85,989,904

12-1 Real estate investments are represented in warehouses. It represents warehouses located on two lands, a northern block and a southern block located on King Faisal Road in Al-Wadi neighborhood, Jeddah.

12-2 All real estate is registered in the name of Alinma Investment ("the Custodian"). The custodian holds these properties for the ownership of the usufruct of the fund and does not have any controlling interests and does not pose any risks to the investment properties.

12-3 The fund manager periodically reviews its investment properties to determine whether there is any indication of a decline in the value of assets. An impairment loss is considered at the amount that the carrying value of each investment property exceeds its recoverable value, which is higher than the fair value of the assets minus the cost of sale and value in use. According to the periodic evaluation reports submitted by the funds, the evaluation experts are independent of the fund.

12-4 The impairment of the assets is as follows:

	<u>31 December 2022</u>			<u>31 December 2023</u>		
	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
Balance beginning of the year	27,334,905	2,033,914	29,368,819	25,651,980	1,111,095	26,763,075
Reversal during the year	(1,682,925)	(922,819)	(2,605,744)	(2,739,719)	(1,111,095)	(3,850,814)
Balance end of the year	25,651,980	1,111,095	26,763,075	22,912,261	-	22,912,261

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13) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties to the fund include Al-Jazira Capital "Fund Manager", "Al-Jazira Bank" (a shareholder in Al-Jazira Capital) and other managed funds managed by the Fund's Board of Directors.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund Board.

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

Related Party	Nature of transactions	Amount of transactions		Balance receivable \ (payable)	
		2023	2022	31 December 2023	31 December 2022
Al-Jazira Capital	Fund management fee	(782,117)	(758,203)	(198,513)	(190,655)
Bank Al Jazira	Current account	-	-	1,284,231	822,695
Saudi Riyal Murabaha	Realized gain as FVTPL	-	(6,108)	-	-
BOD members	Attendance allowance*	(22,000)	(22,061)	(22,061)	(88,061)

* Board attendance allowances are included in the financial position under Accrued expenses.

14) UNEARNED RENTAL INCOME

	31 December 2023	31 December 2022
Balance beginning of the year	1,746,961	1,728,283
Rental income received during the year	6,178,540	6,043,412
Rental income earned during the year	(5,975,801)	(6,024,734)
Balance at the end of the year	1,949,700	1,746,961

15) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

The Fund Manager evaluates the Fund's investment properties based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with the accounting policy of the Fund, investment properties are carried at cost less accumulated depreciation and impairment losses, if any. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The fair value of real estate investments is determined by two valuers, namely, Barcode and Amam Real Estate Appraisal Company. The following is the valuation of real estate investments as of December 31:

As at 31 December 2023	Barcode	Amam	Average
Investment properties	86,418,518	92,207,559	89,313,039
Total	86,418,518	92,207,559	89,313,039
As at 31 December 2022	Barcode	Amam	Average
Investment properties	83,889,379	88,090,429	85,989,904
Total	83,889,379	88,090,429	85,989,904

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15) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED
(CONTINUED)

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 the discounted cash flow method and the cost method.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Estimated fair value of investment properties	89,313,039	85,989,904
Less: Book Value of investment properties	(88,914,364)	(85,989,904)
Estimated fair value excess of book value	398,675	-
Units in issue (numbers)	11,800,000	11,800,000
Value per unit relating to excess of estimated fair value over book value of investment properties	0.03	-
<i>Net assets attributable to unitholders:</i>		
	<u>31 December 2023</u>	<u>31 December 2022</u>
Net assets value as per the financial statements	88,914,364	85,989,904
Estimated fair value excess of book value of investment properties	398,675	-
Net assets value based on fair valuation of investment properties	88,914,369	85,989,904
<i>Net assets attributable to each unit:</i>		
	<u>31 December 2023</u>	<u>31 December 2022</u>
Net assets value per unit based as per the financial statements	7.46	7.18
Estimated fair value excess of book value of investment properties	0.03	-
Net assets value per unit based on fair valuation of investment properties	7.49	7.18

*All properties are registered in the name of Alinma Investment ("the custodian"). The custodian holds these properties for the ownership of the benefit of the fund and does not have any controlling interests and does not pose any risks to the real estate.

16) OTHER EXPENSES

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
Maintenance of property		207,460	603,460
Basic Registration fee		220,000	220,000
Tadawul fees		63,574	93,469
Professional fees		35,000	35,095
BOD fees	14	22,000	22,061
CMA fees		7,500	7,500
Legal fees		40,433	-
Valuation fees		6,000	8,000
Other		93,712	21,000
		695,679	1,010,585

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17) FAIR VALUE MEASUREMENTS

Financial assets consist of cash at bank, rental income receivables and other assets. Financial liabilities consist of deferred rental income, management fee and other payable. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

The following table shows the fair value of financial instruments and investment properties disclosed as at year end:

<i>Accounting classification and carrying amount</i>		<i>Fair Value</i>			
<i>31 December 2023</i>	<i>Carried Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investment properties	88,914,364	-	-	89,313,039	89,313,039
<i>31 December 2022</i>	<i>Carried Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investment properties	85,989,904	-	-	85,989,904	85,989,904

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Changes in assumptions about these inputs could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

There were no transfers between various levels of fair value hierarchy during the current year or prior year. For assets not carried at fair value but for which fair value is disclosed i.e., investment properties, the valuation was determined using Cost approach and Sales Comparison approach based on significant unobservable inputs and accordingly is included in Level 3 of the fair value hierarchy.

There were no changes to the valuation techniques during the year.

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18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 minimise potential adverse effects on the Fund's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, rental income receivables, accrued management fee and accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

18.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk on the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Cash and cash equivalents	1,284,231	822,695
Rental receivables – Net (note 9)	64,024	-
Accrued Lease Income	241,557	125,935
Prepayments and other assets	83,134	193,000

The following table details the risk profile of rental gross receivables based on the Fund's expected credit loss matrix:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>Expected credit loss</i>	<i>Expected credit loss</i>
Less than 30 days	-	-
Between 31 to 180 days	-	-
More than 180 days	5,226,792	5,226,792
	5,226,792	5,226,792

The carrying amount of financial assets represents the maximum credit exposure.

The Fund seeks to limit its credit risk with respect to rent receivables by charging rent in advance, and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund.

Credit risk is managed on a fund basis. For banks and financial institutions, only independently reputable related parties with a sound credit rating are accepted.

For corporate and retail customers, the Fund assess the risk control and the credit quality of the customer by taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Fund Board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

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18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)

18.1 Credit risk(continued)

The following table provides information about the exposure to credit risk and ECLs for rent receivables as at:

31 December 2023	Weighted average loss rate (%)	Exposure at Default (SR)	Loss allowance (SR)	Credit impaired
0-30 days	0%	64,024	-	No
30-180 days	-	-	-	-
More than 180 days	100%	5,226,792	5,226,792	Yes
Total	100%	5,226,792	5,226,792	-

31 December 2022	Weighted average loss rate (%)	Exposure at Default (SR)	Loss allowance (SR)	Credit impaired
0-30 days	-	-	-	-
30-180 days	-	-	-	-
More than 180 days	100%	5,226,792	5,226,792	Yes
Total	100%	5,226,792	5,226,792	-

18.2 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 commitments as they arise, either through increase the fund size or by taking short term loans from the local banks.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

31 December 2023	Less than 1 year SR	More than 1 year SR	Total SR
Accrued fund management fees	198,513	-	198,513
Unearned rental income	1,949,700	-	1,949,700
Accrued custodian fees	101,390	-	101,390
Accrued expenses	327,872	-	327,872
TOTAL LIABILITIES	2,577,475	-	2,577,475

31 December 2022	Less than 1 year SR	More than 1 year SR	Total SR
Accrued fund management fees	190,655	-	190,655
Unearned rental income	1,746,961	-	1,746,961
Accrued custodian fees	50,695	-	50,695
Accrued expenses	363,997	-	363,997
TOTAL LIABILITIES	2,352,308	-	2,352,308

18) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)

18.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Fund does not have any significant exposure to currency risk as all its monetary assets and monetary liabilities are denominated in Saudi Riyals.

18.4 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund manages its market risk by investing in low-risk securities as per terms and conditions of the Fund.

19) DIVIDENDS DISTRIBUTION

On 19 November 2023, the Fund Board of Directors approved the distribution of profits for the full year period (the full period of 2023) at an amount of 0.3405 Saudi riyals for each unit, totaling 4,019,000 Saudi riyals for unit owners.

On 13 December 2022 the Fund Board of Directors approved the distribution of profits for the full year period (the second half of 2021 and the first half of 2022) at an amount of 0.292 Saudi riyals for each unit, totaling 3,450,000 Saudi riyals for unit owners. It was paid on 25 October 2022.

20) CONTINGENCIES

There are no contingencies as at the reporting date.

21) SUBSEQUENT EVENTS

As of the date of approval of these financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

22) SEGMENT INFORMATION

The fund invests in two investment properties in the Kingdom of Saudi Arabia. Since the fund invests in one segment and one country, there was no segment information presentation.

23) LAST VALUATION DAY

The last valuation day of the year was 31 December 2023 (31 December 2022).

24) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 14 Ramadan 1445H corresponding to 24 March 2024G.



Thank You