

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2025
Together with the
Independent Auditor's Report

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)
Financial Statements together with Independent Auditor's Report
For the year ended 31 December 2025

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INDEPENDENT AUDITOR'S REPORT

**TO THE UNTEHOLDERS OF DERAYAH REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
(MANAGED BY DERAYAH FINANCIAL COMPANY)
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Derayah REIT Fund (the "Fund") (Managed by Derayah Financial Company "the Fund Manager") as at 31 December 2025, 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 the following:

- The statement of financial position as at 31 December 2025;
- The statement of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in net assets attributable to the unitholders for the year then ended;
- The statement of cash flows for the year then ended, and;
- Notes to financial statements, comprising material accounting policy information and other explanatory information.

BASIS FOR OPINION

We conducted our audit in accordance with the 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 International Code of Ethics for Professional Accountants 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.

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INDEPENDENT AUDITOR'S REPORT

**TO THE UNTEHOLDERS OF DERAYAH REIT FUND
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KEY AUDIT MATTERS (CONTINUED)



Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties	
<p>Derayah REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia with carrying value amounting to SAR 1,372,370,996 as of 31 December 2025 (31 December 2024: SAR 1,393,073,140).</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 semi-annual 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>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 certified by Taqueem for each investment property as at 31 December 2025 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; ● We assessed the independence of the external valuers, professional qualifications, competence and experience and ensured that they are certified from Taqueem, and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; ● Involved our specialist to assess the key assumptions and estimates, used by the real estate valuation experts in determining the fair values of the investment properties; ● We carried out procedures to consider the accuracy of information supplied to the external valuers by Fund Manager; ● 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 lower than the carrying amount of the same;

INDEPENDENT AUDITOR'S REPORT

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties (Continued)	
<p>Refer to the summary of material accounting policies in note 5 relating to impairment of investment properties, note 4 which contains the significant accounting estimates, judgment and assumptions relating to impairment and note 10 relating to investment properties.</p>	<ul style="list-style-type: none">  We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports; and  We assessed the adequacy of disclosures included in the financial statements.

OTHER INFORMATION

Other information consists of the information included in the Fund's 2025 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE FUND MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Real Estate Investment Funds Regulations issued by Capital Market Authority, the Fund's Terms and Conditions and for such internal control as the Fund manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

**TO THE UNTEHOLDERS OF DERAYAH REIT FUND
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (CONTINUED)





In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the 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 Board of Directors, are responsible for overseeing the Fund's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with 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 internal control.
-  Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
-  Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in

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

our auditor's 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's to cease to continue as a going concern.

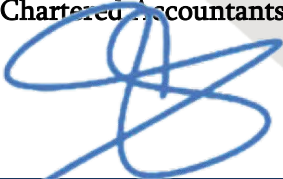
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

PKF Al-Bassam
Chartered Accountants



Abdulellah Albassam
Certified Public Accountant
License No. 703
Riyadh, Kingdom of Saudi Arabia
20 Ramadhan 1447H
Corresponding to: 09 March 2026



DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(Amounts in SAR)

	<u>Note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	4,928,130	3,529,340
Rent receivables	8	75,349,240	72,387,065
Investments carried at fair value through profit or loss (FVTPL)	9	8,409,334	27,199,885
Prepaid expenses and other current assets		6,529,809	3,593,443
TOTAL CURRENT ASSETS		95,216,513	106,709,733
NON-CURRENT ASSETS			
Investment properties	10	1,372,370,996	1,393,073,140
Benefit contracts	11	24,804,497	26,868,240
TOTAL NON-CURRENT ASSETS		1,397,175,493	1,419,941,380
TOTAL ASSETS		1,492,392,006	1,526,651,113
LIABILITIES			
CURRENT LIABILITIES			
Unearned rental income		18,778,115	21,803,323
Accrued management fees	14	8,897,050	5,875,608
Due to related parties		-	299,000
Accrued finance expenses	16	9,409,671	9,720,345
Accrued expenses and other liabilities		4,427,505	8,911,642
Accrued dividend		-	7,591,486
TOTAL CURRENT LIABILITIES		41,512,341	54,201,404
NON-CURRENT LIABILITIES			
Long-term borrowings	16	610,000,000	602,882,834
TOTAL NON-CURRENT LIABILITIES		610,000,000	602,882,834
TOTAL LIABILITIES		651,512,341	657,084,238
Net assets attributable to the Unitholders		840,879,665	869,566,875
Units in issue (<i>numbers</i>)		107,507,035	107,507,035
Book value attributable to each unit		7.822	8.088
Fair value of net assets attributable to each unit		9.654	9.468

The accompanying notes 1 to 27 form an integral part of these financial statements.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

(Amounts in SAR)

	<u>Note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Income</u>			
Rental income	15	100,305,291	97,302,069
Gain from investments carried at FVTPL, net	12	1,003,722	352,528
Capital loss from investments properties sale		-	(128,649)
Other income		-	11,000
Total income		101,309,013	97,536,948
<u>Expenses</u>			
Finance expenses	16	(42,762,026)	(46,843,984)
Depreciation expense on investment properties	10	(19,890,512)	(19,942,757)
Fund management fees	14	(8,897,050)	(7,447,943)
Expected credit loss expense	8	(8,844,033)	(5,800,223)
Properties management fees		(4,337,142)	(4,367,529)
Other expenses		(3,714,776)	(2,758,185)
Amortization benefit contracts	11	(2,063,743)	(2,063,743)
Professional and advisory expenses		(1,262,861)	(1,060,274)
(Charge) / Reversal of impairment on investment properties	10	(811,632)	7,634,642
Dealing fees		-	(51,000)
Total expenses		(92,583,775)	(82,700,996)
Net income for the year		8,725,238	14,835,952
Other comprehensive income		-	-
Total comprehensive income for the year		8,725,238	14,835,952

The accompanying notes 1 to 27 form an integral part of these financial statements.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS

For the year ended 31 December 2025

(Amounts in SAR)

	<u>Note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Net assets value attributable to the Unitholders at the beginning of the year		869,566,875	884,475,609
Total comprehensive income for the year		8,725,238	14,835,952
Dividends	21	(37,412,448)	(29,744,686)
Net assets value attributable to the Unitholders at the end of the year		840,879,665	869,566,875

The accompanying notes 1 to 27 form an integral part of these financial statements.

DERAYAH REIT FUND
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STATEMENT OF CASH FLOWS
For the year ended 31 December 2025
(Amounts in SAR)

	<u>Note</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		8,725,238	14,835,952
<i>Adjustments to reconcile net income:</i>			
Unrealized gains on investments carried at FVTPL	12	(819,090)	(284,984)
Financing expenses	16	42,762,026	46,843,984
Expected credit loss expense	8	8,844,033	5,800,223
Write-off		-	(8,359,863)
Adjustment to receivables made during the year		-	(6,916,144)
Depreciation on investment properties	10	19,890,512	19,942,757
Capital loss from investments properties sale		-	128,649
Impairment charge / (reversal) on investment properties	10	811,632	(7,634,642)
Amortization benefit contracts	11	2,063,743	2,063,743
		<u>82,278,094</u>	<u>66,419,675</u>
Changes in operating assets:			
Rent receivable	8	(11,806,208)	3,856,297
Prepaid expenses and other current assets		(2,936,366)	(1,262,951)
Changes in operating Liabilities:			
Unearned rental income		(3,025,208)	11,324,651
Accrued management fees		3,021,442	1,448,004
Due to related parties		(299,000)	(1,519,659)
Accrued expenses and other liabilities		(12,075,623)	12,215,117
Net cash generated from operating activities		<u>55,157,131</u>	<u>92,481,134</u>
INVESTING ACTIVITIES			
Proceeds from investments properties sale		-	5,100,000
Purchase investment carried at FVTPL	9	(60,077,422)	(51,914,901)
Proceeds from sale of investment carried at FVTPL	9	79,687,063	25,000,000
Net cash generated from/(used in) investing activities		<u>19,609,641</u>	<u>(21,814,901)</u>
FINANCING ACTIVITIES			
Dividends paid	21	(37,412,448)	(29,744,686)
Long-term borrowings drawn	16	610,000,000	-
Long-term borrowings repayments	16	(602,882,834)	(5,100,000)
Finance expenses paid	16	(43,072,700)	(37,123,639)
Net cash used in financing activities		<u>(73,367,982)</u>	<u>(71,968,325)</u>
Change in cash and cash equivalents during the year		<u>1,398,790</u>	<u>(1,302,092)</u>
Cash and cash equivalents at the beginning of the year	7	<u>3,529,340</u>	<u>4,831,432</u>
Cash and cash equivalents at the end of the year	7	<u>4,928,130</u>	<u>3,529,340</u>
Non-cash transactions			
Dividend payable		-	7,591,486

The accompanying notes 1 to 27 form an integral part of these financial statements.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

Notes to the financial statements

For the year ended 31 December 2025

(All amounts in SAR)

1) THE FUND AND ITS ACTIVITIES

Derayah REIT Fund (the “Fund”) is a closed-ended Sharia compliant real estate investment traded Fund. The Fund began operations on 26 March 2018.

Derayah Financial Company ("Fund Manager"), is a Saudi joint stock company, registered under the Commercial Registration No. 1010266977 dated 04/05/1430 H corresponding to 29/4/2009, and licensed as a "Capital Market Institution" under the Capital Market Authority License No. 27-08109 to practice in Dealing as principal and agent, management and custody in securities business.

The Fund is listed on the Saudi Stock Exchange (“Tadawul”) and its units are traded in accordance with the relevant laws and regulations. The capital of the Fund is 1,075,070,350 Saudi riyals, and the term of the Fund is 99 years starting from the date of listing units in Tadawul, renewable for a similar period according to the Fund manager’s discretion and after obtaining the approval of the Capital Market Authority.

The Fund aims to invest in real estate assets capable of achieving periodic rental income within the Kingdom of Saudi Arabia and in line with the Fund’s investment strategy, and to distribute quarterly profits of at least 90% of the Fund’s net profits in accordance with Real Estate Investment Funds Regulations.

2) REGULATING AUTHORITY

The Fund operates in accordance with the Real Estate Investment Funds Regulations issued by the Capital Market Authority, which stipulates the requirements that real estate investment Funds and real estate investment traded Funds operating in the Kingdom of Saudi Arabia must follow.

3) BASES OF PREPARATION

A. Statement of compliance

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

B. Basis of measurement functional and presentation currency

These financial statements have been prepared under the historical cost convention, using the accrual basis of accounting except for the investments carried at fair value through profit or loss. These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Fund.

C. Basis of current and non-current classification

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification.

Assets are classified as current when they are expected to be realised, sold or consumed in the normal operating cycle of the Fund; are held primarily for the purpose of trading; are expected to be realised within twelve months after the reporting date; or are cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. All other assets are classified as non-current.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
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Notes to the financial statements

For the year ended 31 December 2025

(All amounts in SAR)

3) BASIS OF PREPARATION (CONTINUED)

C. Basis of current and non-current classification (continued)

Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Fund; are incurred primarily for the purpose of trading; are due to be settled within twelve months after the reporting date; or when the Fund does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. All other liabilities are classified as non-current.

For the Fund, the normal operating cycle represents the period between the acquisition of assets for investment purposes and their realisation in cash and cash equivalents. The Fund has determined that its operating cycle is twelve months. Accordingly, investment properties, benefit contracts and long-term financing facilities are generally classified as non-current unless expected to be realised or settled within twelve months after the reporting date.

4) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

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. Revisions to accounting estimates are recognised in the period in which the estimates are reviewed and in any future periods affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 Judgments

4.1.1 Going Concern

The Fund Manager has made an assessment of the 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 the Fund's ability to continue as a going concern.

4.2 Significant accounting estimates

4.2.1 Useful lives of investment properties

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

4.2.2 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 assets 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.

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Notes to the financial statements

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(All amounts in SAR)

**4) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS
(CONTINUED)**

4.2 Significant accounting estimates (Continued)

4.2.2 Impairment of investment properties (Continued)

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 considered. 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 Fund Manager estimates the asset's or Cash Generating Unit's (CGUs) 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 comprehensive income.

In estimating the recoverable amount, the Fund uses valuation techniques that involve significant assumptions, including discount rates, capitalization rates and projected future rental cash flows based on existing leases and prevailing market conditions. The valuation also considers estimated vacancy rates, maintenance and capital expenditure requirements, and terminal value assumptions reflecting long-term market expectations.

4.2.3 Expected credit losses

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

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

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

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

5) MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three months or less, if any, which are available to the Fund without any restrictions. Cash and cash equivalents are measured at amortized cost.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

Notes to the financial statements

For the year ended 31 December 2025

(All amounts in SAR)

5) MATERIAL ACCOUNTING POLICIES (CONTIUED)

Rent receivable

Receivables are initially recognised at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective interest method.

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.

Investment properties are derecognised 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 recognised 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

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

Categories	Useful Life
Building	40

Benefit contracts

Benefit contracts represents agreement for the rental properties that outlines the rights and advantages one party receives from a transaction or agreement, without necessarily owning the property itself. They are recorded at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the term of the contract.

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

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5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Accrued expenses and other liabilities

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

Expenses

Expenses including Property management expenses, custodial fees and other expenses are recorded on accrual basis.

Net assets value per unit

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year- end.

Dividend distribution

The Fund's policy is to distribute and pay at least 90% of net income as annual distributions on a quarterly basis. Does not include the profit from the sale of any real estate investment, depreciation period and impairment.

Financial instruments

Initial recognition and measurement

Receivables from operating leases issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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 transaction costs that are directly attributable to its acquisition or issue, for an item not at Fair Value Through Profit or Loss (FVTPL). Receivable from operating leases without a significant financing component is initially measured at the transaction price.

Classification of financial assets

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

- A financial asset is measured at amortized cost if it meets 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.

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5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification of financial assets (continued)

- A financial asset shall be measured at FVOCI if both of the following conditions are met:
 - a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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 recognised 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 recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Derecognition

A financial asset is derecognised 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

Financial liabilities

Initial recognition and measurement

The Fund’s financial liabilities include amounts due to related parties, accrued expenses and other liabilities. Financial liabilities are measured at amortised cost.

Subsequent measurement

Financial liabilities at amortised cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

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5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

Long term borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost over the period of the borrowings using the EIR method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Rental income

Rental income from operating lease of properties is recognised on a straight-line basis over the term of the operating lease.

Management fees and other expenses

On a semi-annual basis, the Fund Manager charges the Fund a management fee of 0.85% per annum of the Fund's NAV as mentioned in terms and conditions of the Fund. The Fund manager shall also recover from the Fund any other expenses incurred on behalf of the Fund such as audit fees, legal fees, board compensation and other similar fees.

Transaction fees

Moreover, the Fund manager charges a one-time transaction fee of 1% maximum on the purchase or sale price of real estate assets.

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5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Zakat

Zakat is the obligation of the unitholders and is not presented in the financial statements of the Fund.

6) NEW AMENDED STANDARDS AND INTERPRETATIONS:

6.1 Standards and amendments effective in the current period

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the amendment	The Fund Manager assessment
IAS 21	Lack of Exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.	The Fund Manager has assessed the adoption of these amendments and concluded that they did not have a material impact on the Fund's financial position, financial performance, or cash flows for the current reporting period

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6) NEW AMENDED STANDARDS AND INTERPRETATIONS: (CONTINUED)

6.2 Standards and amendments issued but not yet effective

The following standards and amendments have been issued but are not yet effective for the reporting period ended 31 December 2025, and have not been early adopted by the Fund:

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the standards and amendments	The Fund Manager assessment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	The amendments clarify the recognition and derecognition of financial assets and financial liabilities, including settlement date accounting for certain electronic payment systems. They also provide additional guidance on assessing contractual cash flow characteristics of financial assets, including contingent cash flows arising from environmental, social and governance (ESG)-linked features. The amendments also introduce new and updated disclosure requirements in IFRS 7	The Fund Manager has performed a preliminary assessment and does not expect the adoption of these amendments to have a material impact on the Fund's financial statements, as the Fund's financial instruments and settlement arrangements are not expected to be significantly affected.
IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026	These amendments modify the 'own use' requirements and hedge accounting provisions in IFRS 9 for contracts that expose entities to variability in electricity prices due to uncontrollable natural conditions such as weather. Targeted disclosure requirements are introduced in IFRS 7.	Based on the nature of the Fund's operations and contractual arrangements, the Fund manager does not expect these amendments to have a material impact on the Fund's financial statements upon initial application.

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6) NEW AMENDED STANDARDS AND INTERPRETATIONS: (CONTINUED)

6.2 Standards and amendments issued but not yet effective (continued)

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the amendment	The Fund Manager assessment
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 replaces IAS 1 and establishes a new framework for the presentation and disclosure of financial statements. The standard introduces new categories for income and expenses (operating, investing and financing) and requires presentation of new subtotals, including operating profit or loss and profit or loss before financing and income taxes. It also enhances guidance on aggregation and disaggregation, introduces disclosure requirements for management-defined performance measures, and removes classification options for interest and dividends in the statement of cash flows.	The Fund Manager is currently assessing the impact of IFRS 18. While the standard is expected to result in changes to presentation and disclosures, it is not expected to have a material impact on the recognition or measurement of the Fund's assets, liabilities, income or expenses.
IFRS 19	Subsidiaries without Public Accountability	1 January 2027	IFRS 19 permits eligible subsidiaries without public accountability to apply reduced disclosure requirements while continuing to apply full IFRS recognition and measurement principles. The standard affects disclosure requirements only and does not impact recognition or measurement.	The Fund Manager will assess the applicability of IFRS 19 at the date of adoption. The standard is expected to affect disclosure requirements only and is not expected to have a material impact on the Fund's financial position, financial performance or cash flows.

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7) CASH AND CASH EQUIVALENTS

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash at bank	<u>4,928,130</u>	<u>3,529,340</u>
	<u>4,928,130</u>	<u>3,529,340</u>

7.1 Cash in current accounts are held with local banks. The Fund does not earn profit on these current accounts.

8) RENT RECEIVABLES

	Note	<u>31 December 2025</u>	<u>31 December 2024</u>
Rent receivables		<u>117,822,939</u>	106,016,731
Expected credit loss expense provision	8.1	<u>(42,473,699)</u>	<u>(33,629,666)</u>
		<u>75,349,240</u>	<u>72,387,065</u>

8.1 The movement in expected credit loss provision is summarized as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Opening balance	<u>(33,629,666)</u>	(43,105,450)
Written off during the year	-	8,359,863
Charge for the year	<u>(8,844,033)</u>	(5,800,223)
Adjustment made during the year	-	6,916,144
Closing balance	<u>(42,473,699)</u>	<u>(33,629,666)</u>

9) INVESTMENTS CARRIED AT FVTPL

<u>31 December 2025</u>	<u>Fund manager</u>	<u>Number of units</u>	<u>Market Value</u>
Derayah Money Market Fund	Derayah Financial Company	<u>774,369</u>	<u>8,409,334</u>

<u>31 December 2024</u>	<u>Fund manager</u>	<u>Number of units</u>	<u>Market Value</u>
Derayah Money Market Fund	Derayah Financial Company	<u>2,639,023</u>	<u>27,199,885</u>

9.1 Movement in investments carried at fair value through profit or loss

	<u>31 December 2025</u>	<u>31 December 2024</u>
As at the beginning of the year	<u>27,199,885</u>	-
Units purchased during the year	<u>60,077,422</u>	51,914,901
Proceeds from disposals during the year	<u>(79,687,063)</u>	<u>(25,000,000)</u>
As at the end of the year	<u>7,590,244</u>	<u>26,914,901</u>
Change in fair value	<u>819,090</u>	284,984
Net investment as at the end of the year	<u>8,409,334</u>	<u>27,199,885</u>

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10) INVESTMENT PROPERTIES

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>				
Balance at the beginning of the year		<u>766,585,825</u>	<u>795,620,451</u>	<u>1,562,206,276</u>
Balance at the end of year		<u>766,585,825</u>	<u>795,620,451</u>	<u>1,562,206,276</u>
<u>Accumulated Depreciation</u>				
Balance at the beginning of the year		-	<u>(133,450,931)</u>	<u>(133,450,931)</u>
Charge for the year	10.1	-	<u>(19,890,512)</u>	<u>(19,890,512)</u>
Balance at the end of year		-	<u>(153,341,443)</u>	<u>(153,341,443)</u>
<u>Impairment</u>				
Balance the beginning of the year		-	<u>(35,682,205)</u>	<u>(35,682,205)</u>
Charge of provision of impairment during the year	10.3	-	<u>(811,632)</u>	<u>(811,632)</u>
Balance at the end of year		-	<u>(36,493,837)</u>	<u>(36,493,837)</u>
<u>Book Value:</u> as of 31 December 2025		<u>766,585,825</u>	<u>605,785,171</u>	<u>1,372,370,996</u>
	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>				
Balance at the beginning of the year		769,182,625	798,729,319	1,567,911,944
Disposals during the year		<u>(2,596,800)</u>	<u>(3,108,868)</u>	<u>(5,705,668)</u>
Balance at the end of year		<u>766,585,825</u>	<u>795,620,451</u>	<u>1,562,206,276</u>
<u>Accumulated Depreciation</u>				
Balance at the beginning of the year		-	<u>(113,985,193)</u>	<u>(113,985,193)</u>
Charge for the year	10.1	-	<u>(19,942,757)</u>	<u>(19,942,757)</u>
Disposals depreciation		-	<u>477,019</u>	<u>477,019</u>
Balance at the end of year		-	<u>(133,450,931)</u>	<u>(133,450,931)</u>
<u>Impairment</u>				
Balance at the beginning of the year		-	<u>(43,316,847)</u>	<u>(43,316,847)</u>
Reversal of provision of impairment during the year	10.3	-	<u>7,634,642</u>	<u>7,634,642</u>
Balance at the end of year		-	<u>(35,682,205)</u>	<u>(35,682,205)</u>
<u>Book Value:</u> as of 31 December 2024		<u>766,585,825</u>	<u>626,487,315</u>	<u>1,393,073,140</u>

10.1 The Fund charge depreciation on building over 40 years. Depreciation is calculated on a straight-line basis.

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10) INVESTMENT PROPERTIES (CONTINUED)

10.2 All properties are registered in the name of the company "Derayah Real Estate Custody" ("the SPV"), except for the real estate secured by obtaining loans (see note 16). The SPV is holding these properties for beneficial ownership of the Fund and does not possess any controlling interests or any stake in the properties.

10.3 The Fund manager periodically reviews its investment properties to determine if there is any indication of impairment in assets value. An impairment loss is considered as the amount that exceeds the carrying value of the investment properties its recoverable value, which is higher than the fair value of the assets less the cost of sale and the value of its use. As of 31 December 2025, an impairment charge of SAR 0.8 million was recognised, and no provision was reversed (31 December 2024: SAR 7.6 million reversed).

The average fair value of the investment properties has been classified as Level 3 fair value based on the inputs to the valuation techniques used (see note 19).

Investments properties consist of 23 properties which are as follows:

<ul style="list-style-type: none"> - Smart Tower: Office & Retail in Al-Olaya District, Riyadh - Jubail Views Residential Compound: A residential compound in Rawdah Al Khalidiya in Jubail. - Mena Warehouses Complex: Three warehouses (administrative and service offices) in Al-Mina area in Dammam - The Grand (A) Residential Building: An integrated residential property located in Dammam - Education & Skills School: An educational building located in Al-Deraiya governorate in Riyadh - Rasil Medical Center: A medical center building located in Al- Mansourah district in Riyadh - City Life Plaza: A commercial property in the Munsiyah in Riyadh. - Al-Wadi District Warehouses: represents a warehouse and a residential building and is located in the valley district in Jeddah - Jeddah Khumarh Warehouses: a warehouse located in the Sarawat district in Jeddah - Riyadh Al-Azizia Warehouses (1): A warehouse located in Al-Aziziya district in Riyadh - Matoon Towers: A hotel property located in Al-Olaya in Riyadh. - Al-Fanar Commercial Complex: Commercial real estate in Al-Raka in Al-Khobar. - Khalijah business centre. 	<ul style="list-style-type: none"> - The Grand (B) Commercial Building: An educational property located in Dammam - Jubail Employees Residential Buildings: Four residential buildings located in three close areas in the north of Jubail. - Khobar Labor Housing: A residential building for workers in Al-Thaqbah in Al-Khobar - Jeddah Office Tower: An administrative and office building located in Jeddah. - Sulay Warehouses Complex: A collection of warehouses located in Al-Sulay in Riyadh. - Khalidiya District Warehouses (1). Two warehouses located in the northern Khalidiya district of Dammam - Dammam Labor Housing. Three residential buildings in Al-Mina district in Dammam - Al-Khalidiyah District Warehouses (2): A warehouse located in the Khalidiya district in Dammam. - Riyadh Al-Azizia Warehouses (2): A warehouse located in Al-Aziziya district in Riyadh. - AlSitteen Commercial Center: Commercial-Office Property in Al-Dubat district in Riyadh.
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11) BENEFIT CONTRACTS

Benefit contracts consist of real estate of the Valley Commercial Complex: a shopping centre in Al-Ahsa.

	<u>31 December 2025</u>	<u>31 December 2024</u>
<u>Cost</u>		
Balance at the beginning of the year	<u>41,274,864</u>	41,274,864
Balance at end of the year	<u>41,274,864</u>	41,274,864
<u>Accumulated Amortization</u>		
Balance at the beginning of the year	<u>(14,406,624)</u>	(12,342,881)
Charge for the year	<u>(2,063,743)</u>	(2,063,743)
Balance at end of the year	<u>(16,470,367)</u>	(14,406,624)
<u>Book Value:</u>		
Balance as of 31 December	<u>24,804,497</u>	26,868,240

12) GAIN FROM INVESTMENTS CARRIED AT FVTPL, NET

	<u>31 December 2025</u>	<u>31 December 2024</u>
Realized gain from investments carried at FVTPL	<u>184,632</u>	67,544
Unrealized gain from investments carried at FVTPL	<u>819,090</u>	284,984
	<u>1,003,722</u>	352,528

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

In accordance with Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. However, in accordance with the policy of the Fund, investment property is stated at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, fair value is disclosed below for the purpose of obtaining information and is not accounted for in the books of the Fund.

The fair value of real estate investments and benefit contracts is determined by valuers of each asset, namely Esnad Real Estate Valuation Company, and White Cubes (2 valuers for each property). These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM"). The following is an assessment of real estate investments and benefit contracts as at 31 December:

<u>31 December 2025</u>	<u>First</u> <u>Appraiser</u>	<u>Second</u> <u>Appraiser</u>	<u>Average</u>
Investment properties	<u>1,577,187,000</u>	<u>1,549,800,000</u>	<u>1,563,493,500</u>
Benefit contracts	<u>25,218,000</u>	<u>36,000,000</u>	<u>30,609,000</u>
Total	<u>1,602,405,000</u>	<u>1,585,800,000</u>	<u>1,594,102,500</u>
<u>31 December 2024</u>	<u>First</u> <u>Appraiser</u>	<u>Second</u> <u>Appraiser</u>	<u>Average</u>
Investment properties	<u>1,536,800,000</u>	<u>1,538,147,333</u>	<u>1,537,473,667</u>
Benefit contracts	<u>35,800,000</u>	<u>25,916,000</u>	<u>30,858,000</u>
Total	<u>1,572,600,000</u>	<u>1,564,063,333</u>	<u>1,568,331,667</u>

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

The management used the average valuations for the purpose of disclosing the fair value of investment properties and benefit contracts.

The investment and benefit contracts were valued taking into consideration number of factors, including the area and type of property and valuation techniques using material unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. Below is an analysis of the investment properties fair value versus cost:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	1,594,102,500	1,568,331,667
Less book value:		
Investment properties	(1,372,370,996)	(1,393,073,140)
Benefit contracts	(24,804,497)	(26,868,240)
Increase in estimated fair value of carrying value	<u>196,927,007</u>	<u>148,390,287</u>
Units in issue (numbers)	<u>107,507,035</u>	<u>107,507,035</u>
The additional share of the unit of estimated fair value	<u>1.832</u>	<u>1.380</u>
<i>Net asset attributable to unitholders:</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Net assets attributable to unitholders as per the financial statements before fair value adjustment	840,887,665	869,566,875
Increase in estimated fair value of carrying value	<u>196,927,007</u>	<u>148,390,287</u>
Net value of assets attributable to unit holders on the basis of fair value of investment property and benefit contracts	<u>1,037,814,672</u>	<u>1,017,957,162</u>
<i>Net asset attributable to each unit:</i>	<u>31 December 2025</u>	<u>31 December 2024</u>
Carrying value per unit as per the financial statements before fair value adjustment	7.822	8.088
The unit value is based on fair value	<u>1.832</u>	<u>1.380</u>
Net assets attributable to each unit	<u>9.654</u>	<u>9.468</u>

14) RELATED PARTY TRANSACTIONS

Related parties to the Fund include Derayah Financial Company (Fund Manager), Alinma Investment Company (Custodian) and BOD members. In the ordinary course of its activities, the Fund transacts business with related parties and any party that has the ability to control another party or exercise a material influence over it in making financial or operational decisions.

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

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14) RELATED PARTY TRANSACTIONS (CONTINUED)

Related Party	Nature of Transactions	Amount of transactions 2025	Balance 2025
Derayah Financial	Management fees	8,897,050	(8,897,050)
Alinma Investment Company	*Custodial fees	120,000	(120,000)
BOD members	Allowances and bonuses	8,000	(16,000)

Related Party	Nature of Transactions	Amount of transactions 2024	Balance 2024
Derayah Financial	Management fees	7,447,943	(5,875,608)
Derayah Financial	Dealing fees	51,000	(51,000)
Alinma Investment Company	*Custodial fees	120,000	(240,000)
BOD members	Allowances and bonuses	6,000	(8,000)

The following is the number of units held by the Fund Manager as of December 31:

Related Party	Nature of Related Party	2025	2024
Derayah Financial Company	Fund Manager	2,596,559	2,596,559

The Fund, during its normal business cycle, conducts transactions with related parties. Transactions with related parties are subject to restrictions set by the Terms and Conditions. All transactions with related parties are disclosed to the Fund's board of directors.

* The Fund pays the custodian fees the amount of 120,000 Saudi riyals annually, which are due on a daily basis and paid on a semiannual basis to the custodian.

15) RENTAL INCOME

	<u>31 December 2025</u>	<u>1 December 2024</u>
Rental income from real estate investments	100,305,291	97,302,069
	100,305,291	97,302,069

Rental income from investment properties is recognised on time proportion basis.

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16) LONG-TERM BORROWINGS

The Fund previously had a Shariah-compliant financing facility with Al Rajhi Bank maturing on 4 September 2027. During the year ended 31 December 2025, the Fund early settled the outstanding balance amounting to SAR 602.89 million (2024: SAR 5.1 million).

In April 2025, the Fund obtained a five-year Shariah-compliant financing facility from Alinma Bank with a total approved limit of SAR 750 million, of which SAR 610 million was drawn. The facility carries a variable commission payable semi-annually, with the principal repayable in a single bullet payment at maturity. The facility is secured by pledging the Fund's real estate properties and is supported by a promissory note of SAR 750 million.

The new facility was utilised to refinance the previous loan. As at 31 December 2025, the undrawn portion of the facility amounted to SAR 140 million.

Type of the loan	Nature of the loan	Balance as of		Finance expense	
		2025	2024	2025	2024
Tawaruq	Long term	610,000,000	602,882,834	42,762,026	46,843,984
		610,000,000	602,882,834	42,762,026	46,843,984

	31 December 2025	31 December 2024
Balance at the beginning of the year	602,882,834	607,982,834
Drawn during the year	610,000,000	-
Repayment during the year	(602,882,834)	(5,100,000)
Balance at end of the year	610,000,000	602,882,834

Accrued finance expenses

	31 December 2025	31 December 2024
Balance at the beginning of the year	9,720,345	-
Charged during the year	42,762,026	46,843,984
Paid during the year	(43,072,700)	(37,123,639)
Balance at end of the year	9,409,671	9,720,345

17) PROFESSIONAL AND ADVISORY EXPENSES

Professional and advisory expenses include the professional fees for auditing the annual financial statements and reviewing the interim financial statements for the Fund amounted to SAR 18,000 and SAR 12,000 respectively (2024: SAR 18,000 and SAR 12,000 respectively).

18) ZAKAT

According to the zakat rules for investment Funds, investment Funds are not subject to the collection of zakat in accordance with the rules for collecting zakat from investors in investment Funds, provided that they do not carry out economic activities or investment activities that are not stipulated in the terms and conditions of those investment Funds. The Fund manager must submit an information declaration to the Authority within a period not exceeding 120 days from the end of the financial year. The Fund manager has registered the Fund and will submit the annual zakat information return to the Authority.

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19) FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the fair value of investment properties, benefit contracts and financial instruments as at 31 December, based on the fair value hierarchy:

	2025			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	1,372,370,996	1,372,370,996
Benefit contract	-	-	24,804,497	24,804,497
Investments carried at FVTPL	-	8,409,334	-	8,409,334
Total	-	8,409,334	1,397,175,493	1,405,584,827

	2024			
	Level 1	Level 2	Level 3	Total
Investment properties	-	-	1,393,073,140	1,393,073,140
Benefit contract	-	-	26,868,240	26,868,240
Investments carried at FVTPL	-	27,199,885	-	27,199,885
Total	-	27,199,885	1,419,941,380	1,447,141,265

As at 31 December 2025 and 31 December 2024, the Fund's financial instruments include cash and cash equivalents, rentals receivable, management fees payable, financing expenses payable, amounts due to related parties, payable expenses and other liabilities, and long-term loans. Except for investments carried at fair value through profit or loss, all financial instruments are measured at amortized cost and their carrying values approximate their fair value.

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

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

Assets that are classified under level 3 consists of investment properties and benefit contract as disclosed in notes 10 and 11 respectively. The principal inputs include:

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19) FAIR VALUE MEASUREMENT (CONTINUED)

Discount Rates are that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 9.13% - 11.83% (2024: 8% - 10%).

Capitalization Rates are based on the actual location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 6.5% - 9% (2024: 8.5% - 9%).

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

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

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

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

There were no transfers between the different levels of the fair value hierarchy during the current or previous year.

20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund 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 minimize potential adverse effects on the Fund's financial performance.

Financial instruments carried in these financial statements principally include Cash and cash equivalents, rent receivables, Investment carried at FVTPL, accrued management fees, accrued finance expenses, Due to related parties, Accrued expenses and other liabilities and Long-term borrowing.

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to due from related parties an obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

When calculating the expected credit loss allowance for rent receivables, a provision matrix is used based on historical loss rates over the expected life of the receivable adjusted for future estimates.

The following table shows the maximum exposure to credit risk for the contents of the statement of financial position:

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20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

	2025		2024	
	Exposure	Expected credit losses	Exposure	Expected credit losses
Cash and cash equivalents	4,928,130	-	3,529,340	-
Rent receivables	117,822,939	(42,473,699)	106,016,731	(33,629,666)

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.

The calculation of ECL

The methodologies for ECL calculations are outlined below and the key elements are as follows:

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The Fund has calculated PDs based on historically observed default rates for each segment of the portfolio.

Exposure at Default represents the Fund's estimate of the gross carrying amount of financial assets subject to expected credit loss assessment at the time of potential default. For the Fund, this primarily relates to trade receivables arising from rental income. As the Fund does not provide loans or committed credit facilities, the Exposure at Default generally represents the outstanding receivable balance at the reporting date, adjusted for any expected repayments.

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Fund would expect to receive, including from the security deposits, bank guarantees, advance rentals, or other credit enhancements obtained from tenants. It is usually expressed as a percentage of the exposure at default.

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 new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

	2025		
	Less than 1 year	More than 1 year	Total
Accrued finance expenses	9,409,671	-	9,409,671
Accrued management fee	8,897,050	-	8,897,050
Accrued expenses and other liabilities	4,427,505	-	4,427,505
Long term borrowings	-	610,000,000	610,000,000
TOTAL LIABILITIES	22,734,226	610,000,000	632,734,226

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20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	2024		
	Less than 1 year	More than 1 year	Total
Accrued management fee	5,875,608	-	5,875,608
Due to related parties	299,000	-	299,000
Accrued expenses and other liabilities	8,911,642	-	8,911,642
Accrued dividend	7,591,486	-	7,591,486
Accrued finance expenses	9,720,345	-	9,720,345
Long term borrowings	-	602,882,834	602,882,834
TOTAL LIABILITIES	32,398,081	602,882,834	635,280,915

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.

Commission rate risk

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

The Fund's commission rate risks arise mainly from its borrowings which are not subject to re-pricing on a regular basis.

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

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

	2025			
	Income Statement		Statement of NAV	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate fluctuations	1%	1%	1%	1%
Cash-flow sensitivity (net)	6,100,000	(6,100,000)	6,100,000	(6,100,000)
	2024			
	Income Statement		Statement of NAV	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate fluctuations	1%	1%	1%	1%
Cash-flow sensitivity (net)	6,028,828	(6,028,828)	6,028,828	(6,028,828)

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20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 optimising the return. The Fund manager monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

At the reporting date, the exposure to equity investments at fair value in open-ended Fund. the Fund has determined that an increase/(decrease) of 10% on investee Fund NAV could have an impact of approximately SR 0.84 million increase/(decrease) on the income and Net assets (equity) of the Fund.

21) DIVIDENDS

2025

On 22 January 2025, the Fund manager agreed to distribute dividends to unitholders for the three-month period from 01 October 2024 to 31 December 2024 amounting to SAR 0.084 per unit totalling SAR 9,030,591 to its unitholders.

On 24 April 2025, the Fund manager agreed to distribute dividends to unitholders for the three-month period from 01 January 2025 to 31 March 2025 amounting to SAR 0.084 per unit totalling SAR 9,030,591 to its unitholders.

On 11 August 2025, the Fund manager agreed to distribute dividends to unitholders for the three-month period from 01 April to 30 June 2025 amounting to SAR 0.09 per unit totalling SAR 9,675,633 to its unitholders.

On 23 October 2025, the Fund manager agreed to distribute dividends to unitholders for the three-month period from 01 July 2025 to 30 September 2025 amounting to SAR 0.09 per unit totalling SAR 9,675,633 to its unitholders.

2024

On 25 January 2024, the Fund manager agreed to distribute dividends to unitholders for the three-month period from 01 October 2023 to 31 December 2023 amounting to SAR 0.086 per unit totalling SAR 9,207,356 to its unitholders.

On 14 July 2024, the Fund manager agreed to distribute profits to unitholders for the three-month period from 01 January 2024 to 31 March 2024 amounting to SAR 0.060 per unit totalling SAR 6,500,000 to its unitholders.

On 12 September 2024, the Fund manager agreed to distribute profits to unitholders for the three-month period from 01 July 2024 to 30 September 2024 amounting to SAR 0.061 per unit totalling SAR 6,557,929 to its unitholders.

On 19 November 2024, the Fund manager agreed to distribute profits to unitholders for the three-month period from 01 July 2024 to 30 September 2024 amounting to SAR 0.070 per unit totalling SAR 7,525,492 to its unitholders.

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22) SUBSEQUENT EVENTS

On 20 January 2026, the Fund manager agreed to distribute profits to unitholders for the period ended December 2025 amounting to SAR 0.09 per unit with a total amount of SAR 9,675,633 to its unit holders.

23) SIGNIFICANT EVENTS

The Fund Manager initiated legal proceedings against the main tenant of the Smart Tower property to collect overdue rent. A preliminary court ruling was issued in favour of the Fund, ordering the main tenant of the Smart Tower property to pay a portion of the overdue rent in the amount of SAR 36 million related to the Smart Tower property in Riyadh. A preliminary court ruling was also issued in favour of the Fund, ordering the termination of the electronic lease contract concluded with the tenant, due to proven failure to pay rent.

The Fund Manager initiated legal proceedings in the State of Kuwait against the former tenant of the Matoon Tower property to recover outstanding rental dues. A final court judgment was issued in favour of the Fund, ordering the tenant to settle the outstanding rent.

24) SEGMENT INFORMATION

The Fund invested in 23 real estate investments in the Kingdom of Saudi Arabia. As they are invested in a single industry sector and one country, no segment information has been presented.

25) RECLASSIFICATION

Certain comparative figures in cashflow statement related to the investments have been reclassified to conform to the current year's presentation.

26) LAST VALUATION DAY

The last valuation day of the Fund was 31 December 2025 (2024: the last valuation date was 31 December 2024).

27) APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Manager on 05 March 2026 (corresponding to 16 Ramadan 1447 H).