

الخبير ريت
Alkhabeer REIT



Annual Report 2023

Alkhabeer REIT Fund

Closed-Ended Public Shari'ah-Compliant
Real Estate Investment Traded Fund

الخبير المالية
Alkhabeer Capital



الخبير المالية
Alkabeer Capital



Fund Manager

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Alkhabeer REIT is a closed-ended Shari'ah-compliant public real estate investment traded fund listed on the Saudi Stock Exchange (Tadawul). On 7 Safar 1440H, corresponding to 16 October 2018, the Saudi Capital Market Authority (CMA) approved the offering and registration of Alkhabeer REIT's units on the Saudi Stock Exchange (Tadawul).

Shari'ah Certificate: (AKC-694-88-03-06-17)

Disclaimer

This document does not constitute an offer to buy, subscribe or participate in any way in Alkhabeer REIT, nor shall it (or any part of it) form the basis of, or be relied on, in connection with, or act as inducement to enter into any contract whatsoever. Prospective investors should read carefully Alkhabeer REIT's Terms and Conditions and their contents related to investment risks as well as other Alkhabeer REIT documents prior to making any investment decision. Alkhabeer REIT documents are available on Alkhabeer Capital's website www.alkhabeer.com. This investment is not a cash deposit with a local bank. The value of the amount invested and any other income which may arise therefrom, may increase or decrease. All prospective investors are required to make their own determination, with their own financial and legal advisors, and evaluate all risks involved. No assurance can be given that the targeted and projected results will be achieved. Moreover, past performance of Alkhabeer REIT is not a guarantee of future performance. By investing in the Fund, the investor acknowledges having read and accepted Alkhabeer REIT's Terms and Conditions.

Table of Contents

Fund Manager's Letter	6
(A) Key Fund Information	8
1. Fund Overview	8
2. Fund Objective	8
3. Fund Investment Strategy	8
4. Key Service Providers	8
(B) Fund Summary	9
1. Key Fund Facts	9
2. Financial Indicators for Fiscal Year 2022	9
3. Fund Market Value	9
4. Comparison Table for certain Fund Unit Indicators as at the end of 2019, 2020, 2021 and 2022	10
5. Cumulative Total Return (Since Listing)	10
6. Annual Total Return	10
7. Fund Performance Summary for Fiscal Year 2022	11
8. Fiscal Year Dividend Distribution (31 December 2022)	11
9. Table showing service charges, commissions and fees paid by the Fund to third parties over the year, and the ratio of total expenses to Fund total assets	12
(C) Fund Assets	13
1. Fund Assets Information	13
2. Fund Underlying Assets (Fund's Portfolio)	13
3. Fund Targeted Assets	13
4. Names and Ratios of the Properties of the Fund Portfolio to the Total Value of the Properties	14
5. Distribution of Investments by Geography	15
6. Distribution of Investments by Real Estate Segment	16
7. Fund Benchmark and the Service Provider's Website (if any)	16
8. Report on the most important resolutions of the Fund Board, the subjects discussed and resolutions made in relation to them	16
9. Statement on Special Commissions Obtained by the Fund Manager during the Period, Clearly Showing their Types and Uses	20
10. Conflict of Interest	20
(D) Fund Highlights	21
1. Fund Highlights and Any Fundamental, Non Fundamental, Material or Significant Changes Affecting the Performance of the Fund	21
2. Net Asset Value and Unit Price Performance	23
3. Dividend Distributions to Unitholders	23
4. Price Performance Comparison	24
(E) Market Overview	25
1. Saudi Economic Overview	25
2. Real Estate Sector in Saudi Arabia	25
3. KSA REITs Performance	26
4. Price Performance Comparison	26
5. KSA REITs vs Global REITs	26
6. Global and Saudi REITs Indices Returns in 2022	27
(F) Risk Assessment Report	29
(G) Fund's Property Overview	34
(H) Financial Statements for Fiscal Year Ending 31 December 2021	47

Fund Manager's Letter

Dear Unitholders,

We are pleased to announce that Alkabeer REIT Fund (the "Fund") has successfully completed its fourth year of operations. The Fund was listed on the Saudi Stock Exchange (Tadawul) on 20 March 2019 by way of an initial public offering, investing in seven income-generating real estate assets with a total value of around SAR 1 billion. In August 2020, the Fund Manager increased the Fund's Total Asset Value by SAR 722.8 million (first increase) by increasing the financing amount, offering in-kind units and making the first subsequent offering to investors, for the purpose of acquiring three additional properties in the City of Riyadh, raising the number of Fund properties to ten income generating real estate assets. In June 2021, the Fund also increased its total asset value by SAR 335.5 million by increasing the financing amount, in addition to offering in-kind Units and by way of the Fund's Second Subsequent Offering to investors, for the purpose of acquiring two additional properties in the City of Jeddah, raising the number of Fund properties to twelve income generating real estate assets.

The Fund's properties are located in Riyadh, Jeddah and Tabuk. These assets are diversified across a number of sectors, including the retail, office, residential, education and logistics sectors. The Fund's Total Asset Value as at 31 December 2021 amounted to around SAR 2.0 billion. The geographic and sectoral diversification of the real estate properties reduces risks and minimizes the adverse effects of seasonal or aggregate market changes on the properties, and helps the Fund achieve its objectives in the medium and long terms.

The Fund distributed accumulated cash dividends for the period from 1 January to 31 December 2023, amounting to 4.2% of capital. Cash dividends remain low compared to 2019 primarily due to three main factors:

- I) The performance of some of the tenants was affected by the COVID-19 pandemic, with the Fund Manager receiving a number of requests from property tenants for lowering the rental value and/or rescheduling the payment of overdue rents. After considering those requests with the tenants, the Fund Manager agreed to reschedule some of the rental payments and/or grant reductions and waivers, which remain extended to date.
- II) Cash dividends were affected by the inability to collect rents from the master tenant (lessee of 100% of the property) of Gallery Mall in Tabuk. On 7 April 2021, the Fund Manager announced that a decision was made to terminate the lease agreement with the master tenant of this property, in order to protect the interests of the Unitholders and reach a higher collection rate by assigning this property to new operators capable of improving its operational efficiency, as compared to the previous tenant, and thus maximize rental yield over the coming years. This will have a negative effect on the Fund in the short term given the lower rental yield in comparison to the previous lease agreement. Cash flow forecasts for this property were also affected by the master tenant's failure to pay rescheduled rents resulting from its failure to complete development activities. It is noted that the Fund Manager had filed a lawsuit in this respect, and a judgment for liquidation was issued against the former tenant. The Fund Manager is awaiting the commencement of the financial liquidation process, as part of the expected procedures for payment of amounts due to debtors, in accordance with court procedure. A judgment was issued and a liquidator was appointed. The liquidation process did not start yet. The Fund Manager hopes to recover amounts due to it upon the start of the liquidation process.
- III) The performance of some tenants was affected by higher lending costs, which occasionally caused delay in rental payment, thus adversely affecting the Fund's cash flow forecasts.

Notwithstanding, the Fund paid cash distributions in 2023 amounting to 4.2% of the Fund's capital.

All the Properties are 100% leased, with the exception of 3 of the 12 properties, namely Almalga Residential Compound, Palazzo Plaza and Gallery Mall, with occupancy rates of 99%, 87% and 60% respectively as at December 2023. The Fund Manager is currently working with the property managers of Almalga Residential Compound, Palazzo Plaza and Gallery Mall to increase occupancy and attract additional tenants to maximize occupancy rates.

The Fund Manager continues to source select investment opportunities in line with the Fund's long term strategy to enable the Fund Manager to generate competitive and attractive returns to Unitholders, and expand and diversify the Fund's asset base.

This Annual Report aims to provide details on the performance and operations of the Fund as at 31 December 2023. We would like to thank all Unitholders for their continued patronage.

Fund Manager
Alkabeer Capital

(A) Key Fund Information

1. Fund Overview

Alkhabeer REIT is a closed-ended public Shari'ah-compliant real estate investment traded fund, established under the applicable laws and regulations of the Kingdom of Saudi Arabia and subject to Capital Market Authority (CMA) Regulations and instructions.

2. Fund Objective

The Fund's main investment objective is to generate sustainable rental income yield and periodic cash distributions of not less than 90% of the Fund's annual net profits, by investing not less than 75% of the Fund's total asset value, according to its last audited financial statements, in income-generating real estate assets in the Kingdom of Saudi Arabia (excluding Makkah and Medina).

3. Fund Investment Strategy

The Fund Manager seeks to achieve the Fund's investment objectives, which mainly focus on generating periodic rental income, by creating a diversified investment portfolio of real estate assets which satisfy due diligence requirements, including real estate valuation, investment feasibility, technical studies, legal reviews and other due diligence. The Fund's real estate investment portfolio includes investments in the residential, office, retail and education segments in Riyadh, Jeddah and Tabuk. The Fund will seek to invest in the future in other real estate property, which may include property investments outside the Kingdom of Saudi Arabia, as well as other investments, subject to the investment restrictions.

4. Key Service Providers

Fund Manager and Operator	Alkhabeer Capital
Fund Custodian	Alinma Investment Company
Fund Auditor	Crowe Solutions for Professional Consulting (Member of Crowe Global)
Shari'ah Advisor	Shariyah Review Bureau W.L.L.
Valuators	(1) Abaad Advanced Company & Associate for Real Estate Valuation (Formerly Intimaa Advanced Company & Associate for Real Estate Valuation), (2) White Cubes Company.

(B) Fund Summary

1. Key Fund Facts

Tadawul Symbol	4348
Bloomberg Symbol	ALKHABEE:AB
Listing Date	20 March 2019
Fund Term	99 years starting as of the Listing Date, renewable
Fund Assets Size*	SAR 2,007,795,630
Fund's Total Capital	SAR 1,410,088,480
Financing*	SAR 737,500,000
Ratio of Loans to Fund's Total Asset Value*	36.73%

* As at 31 December 2023 (Audited).

2. Financial Indicators For Fiscal Year 2023

Valuation Frequency	Semi-annually
Fund's Total Asset Value*	SAR 2,007,795,630
Fund Units' Net Asset Value*	SAR 1,192,824,518
Ratio of Total Expenses and Fees to Fund's Total Asset Value**	2.83%
Ratio of Fund Costs to Fund's Total Asset Value***	4.41%
Ratio of Fund Costs to Fund's Average Net Asset Value	7.41%

* As at 31 December 2023 (Audited).

** Fund expenses and fees are all the Fund's expenses during the year, excluding financing costs.

*** Fund costs are all Fund fees and expenses, including financing costs.

3. Fund Market Value*

As at the Listing Date	SAR 664,423,860
As at 30 June 2019	SAR 617,914,190
As at 31 December 2019	SAR 724,222,007
As at 30 June 2020	SAR 545,491,989
As at 31 December 2020	SAR 966,897,812
As at 30 June 2021	SAR 1,000,878,246
As at 31 December 2021	SAR 1,222,546,712
As at 30 June 2022	SAR 1,140,761,580
As at 31 December 2022	SAR 1,071,667,245
As at 30 June 2023	SAR 957,450,078
As at 31 December 2023	SAR 868,614,504

* Based on the Unit price.

4. Fiscal Year Dividend Distribution (31 December 2023)

Dividend Distribution Policy	Annual dividend distributions of not less than 90% of the Fund's annual net profits. The Fund Manager aims to distribute cash dividends to investors quarterly
Total Rental Income for the Year	SAR 123,723,817
Unit Price as at the End of the Fiscal Year (31 December 2023)	SAR 6.16
Rental Income for the Year to Unit Price	14.24%
Total Dividends Distributed for the Year*	SAR 59,223,716
Dividends Distributed per Unit*	SAR 0.42 per Unit
Distributed Dividends to Initial Unit Price (% of the Capital of the Fund)*	4.20%
Distributed Dividends to Unit Price*	6.82%

* Including cash dividends, declared by the Fund Manager on 31 January 2024, to be distributed to Alkhabeer REIT Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit), for the period from 1 October 2023 to 31 December 2023.

(C) Fund Assets

1. Fund Assets Information

Number of Properties	12 Properties
Land Total Area	158,129 m ²
Total Build-Up Area	310,692 m ²

2. Fund Underlying Assets (Fund's Portfolio)

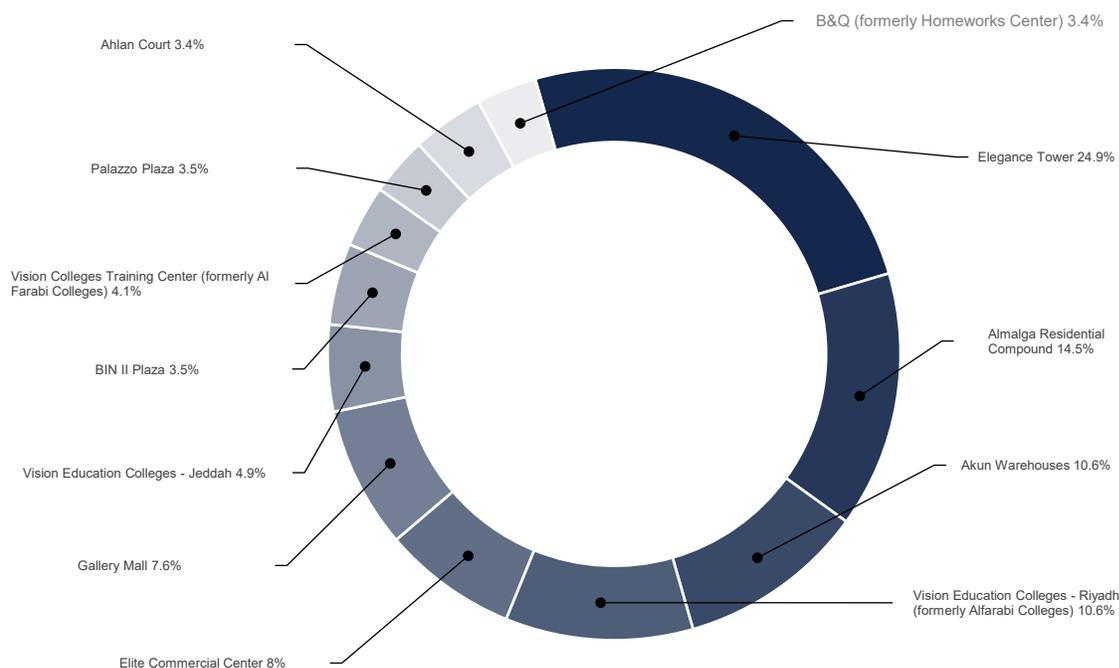
Property Name	Ownership	Development Status	City	Real Estate Segment	BUA (sq.m.)*	Occupancy Rate	Ratio of Rent per Asset to Fund Total Rents	Ratio of Value of Leased Properties	Ratio of Value of Unleased Properties	Ratio of Uncollected Revenues to Total Revenues
Almalga Residential Compound	Freehold	Developed	Riyadh	Residential	41,362	99.20%	10.38%	14.42%	0.12%	1.62%
Gallery Mall	Leasehold	Developed	Tabuk	Retail	43,625	60.25%	2.22%	4.60%	3.04%	17.08%
Palazzo Center	Freehold	Developed	Riyadh	Retail	5,648	80%	2.81%	2.80%	0.70%	15.97%
P&Q (formerly Home Works Center)	Freehold	Developed	Riyadh	Retail	9,181	100%	3.96%	3.32%	N/A	N/A
Ahlan Court Center	Freehold	Developed	Jeddah	Retail	2,758	100%	4.20%	3.36%	N/A	N/A
BIN II Plaza	Freehold	Developed	Jeddah	Mixed Use	21,305	100%	5.40%	4.58%	N/A	N/A
Elite Commercial Center	Freehold	Developed	Jeddah	Mixed Use	15,712	100%	9.60%	7.99%	N/A	N/A
Elegance Tower	Freehold	Developed	Riyadh	Office	58,163	100%	24.25%	24.85%	N/A	N/A
Vision Education Colleges (formerly Al-Farabi)	Freehold	Developed	Riyadh	Education	44,114	100%	12.93%	10.59%	N/A	16.00%
Vision Education Colleges Training Building (formerly Al-Farabi)	Freehold	Under Construction	Riyadh	Education	37,449	100%	5.25%	4.11%	N/A	N/A
Vision Education Colleges, Jeddah	Freehold	Developed	Jeddah	Education	15,375	100%	6.06%	4.91%	N/A	1.23%
Akun Warehouses	Freehold	Developed	Jeddah	Logistics	16,000	100%	12.93%	10.63%	N/A	4.22%

3. Fund Assets Targeted for Investment

The Fund continually seeks to invest in other properties, which may include real estate investments outside Saudi Arabia, as well as other investments, subject to the investment restrictions. The Fund aims to invest in diverse real estate assets, which meet the following criteria:

- The properties shall be freehold, structurally developed and capable of generating periodic rental income. A maximum of 25% of the Fund's total asset value may be invested in properties under construction and usufruct rights.
- The properties shall be located in the Kingdom of Saudi Arabia, excluding Makkah and Medina. A maximum of 25% of the Fund's total asset value may be invested in properties outside the Kingdom.
- Acquiring real estate assets in diverse segments, such as offices, retail outlets, residential complexes, warehouses and logistics facilities, as well as properties used in education and healthcare.

4. Names and Ratios of the Properties of the Fund Portfolio to the Total Value of the Properties



5. Fund Benchmark and the Service Provider's Website (if any)

N/A.

6. Comparison table covering the performance of the Fund during the last three Fiscal Years (or since the inception of the Fund)

Item	2019	2020	2021	2022	2023
FUND NAV AT THE END OF EACH FISCAL YEAR	600,355,144	896,799,968	1,177,196,036	1,187,477,118	1,192,824,518
FUND NAV PER UNIT AT THE END OF EACH FISCAL YEAR	9.357	8.7092	8.3484	8.4213	8.4592
FUND NET ASSET VALUE PER UNIT HIGH DURING EACH FISCAL YEAR	10.2438	8.9776	8.3922	8.5304	8.4894
FUND NET ASSET VALUE PER UNIT LOW DURING EACH FISCAL YEAR	9.0357	8.7092	8.3484	8.4213	8.4592
HIGHEST PRICE PER UNIT	11.20	11.82	10.02	9.11	7.69
LOWEST PRICE PER UNIT	8.91	8.15	8.52	7.46	6.02
NUMBER OF OUTSTANDING UNITS AT THE END OF EACH FISCAL YEAR	66,442,386	102,971,013	141,008,848	141,008,848	141,008,848
INCOME DISTRIBUTION PER UNIT	0.626	0.475	0.500	0.480	0.420
RATIO OF COSTS INCURRED BY THE FUND TO TOTAL ASSET VALUE	13.87%	5.07%	7.53%	3.77%	4.41%
COMPARISON RESULTS OF THE FUND'S BENCHMARK PERFORMANCE TO THE PERFORMANCE OF THE FUND	N/A	N/A	N/A	N/A	N/A
RATIO OF BORROWING TO FUND TOTAL ASSET VALUE	34.53%	42.91%	36.62%	36.86%	36.73%
FINANCING AMOUNT AND EXPOSURE PERIOD	First Tranche: SAR 340 million (4.10 years)	First Tranche: SAR 340 million (3.10 years) Second Tranche: SAR 397.5 million (4.96 years)	First Tranche: SAR 340 million (2.10 years) Second Tranche: SAR 397.5 million (3.96 years)	First Tranche: SAR 340 million (1.10 years) Second Tranche: SAR 397.5 million (2.96 years)	First Tranche: SAR 340 million (7.69 years) Second Tranche: SAR 397.5 million (7.69 years)
MATURITY DATE	First Tranche: 6 February 2024	First Tranche: 6 February 2024 Second Tranche: 7 September 2025	First Tranche: 6 February 2024 Second Tranche: 7 September 2025	First Tranche: 6 February 2024 Second Tranche: 7 September 2025	First Tranche: 7 September 2031 Second Tranche: 7 September 2031

* Including cash dividends, declared by the Fund Manager on 31 January 2024, to be distributed to Alkabeer REIT Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit), for the period from 1 October 2023 to 31 December 2023.

7. Cumulative Total Return (Since Listing)

Item	2019	2020	2021	2022	2023 *
TOTAL DIVIDENDS	6.26%	11.01%	16.01%	20.81%	25.01%
UNIT PRICE PERFORMANCE	9.00%	-6.10%	-13.30%	-24.00%	-38.40%
TOTAL RETURN **	15.26%	4.91%	2.71%	-3.19%	-13.39%

8. Annual Total Return

Item	2019	2020	2021	2022	2023 *
TOTAL DIVIDENDS	6.26%	4.75%	5.00%	4.80%	4.20%
UNIT PRICE PERFORMANCE	9.00%	-13.85%	-7.67%	-12.34%	-18.95%
TOTAL RETURN **	15.26%	-9.10%	-2.67%	-7.54%	-14.75%

* Including cash dividends, declared by the Fund Manager on 31 January 2024, to be distributed to Alkabeer REIT Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit), for the period from 1 October 2023 to 31 December 2023.

** Total Return = Unit Price Performance + Total Dividends.

9. Summary of the Fund's Performance for the Fiscal Year 2023

NUMBER OF UNITS	141,008,848
NET ASSET VALUE AT ISSUANCE	664,423,860
NET ASSET VALUE	1,187,477,118
NET ASSET VALUE PER UNIT UPON ISSUANCE	10
NET ASSET VALUE PER UNIT	8.4592
NET OPERATING RETURNS OF THE UNIT	0.44
TOTAL PROFIT DISTRIBUTION PER UNIT *	0.42

* Includes cash dividends that the fund manager announced to distribute on 31 January 2024 to Alkabeer REIT fund unitholders, at a rate of 1.05% of the initial unit price (SAR 0.105 per unit) for the period from 1 October 2023 to 31 December 2023.

10. Table showing services, commissions and fees incurred by the Fund to the benefit of third party over the year, and total expenditure ratio to total assets of the Fund

Number of Units	Amount	Percentage Expenditures
Fund Management Fees	8,998,722	0.45%
Fund Operator Fees	299,957	0.01%
Custodian Fees	492,636	0.02%
Tadawul / Edaa Fees	693,108	0.03%
Auditor's Fees	80,000	0.00%
Shari'a Supervisory Committee Fees	15,000	0.00%
Directors Allowances	34,000	0.00%
Financing Costs	31,825,865	1.59%
Depreciation of Real Estate Assets and Right of Use of Asset	43,539,904	2.17%
Reversing decrease in real estate investment value	(16,652,035)	-0.83%
Expected Credit Loss	2,205,336	0.11%
Other	17,056,258	0.85%
Total Fund Fees and Expenses	88,588,751	4.41%
Value of Assets Under Management	2,007,795.630	

* The Fund Manager has reduced the fees for arranging and restructuring credit facilities, in order to reduce the financial effect on the Fund.

* Non-cash expenses represent 82.80% of the Fund's net profit.

(D) Fund Highlights

1. Fund Highlights and Any Fundamental, Non Fundamental, Material or Significant Changes Affecting the Performance of the Fund

- l) In respect of the increase of the Fund's total asset value, the Fund's properties and the Updating of the Fund's Terms and Conditions

Announcement Date	Details
3 March 2022	Further to the Fund Manager's announcement on 25 July 2021 of the Fund Board's approval on 05 Dhul Hijjah 1442, corresponding to 15 July 2021 to increase the Fund's total asset value by acquiring three (3) properties (a shopping mall in the City of Riyadh, a shopping mall in the City of Jeddah, and a residential compound in the City of Khobar) for a sum total of SAR 1.53 billion, for which memoranda of understanding were signed by and between their owners and the Fund Manager. Also, further to the announcement that the Fund Manager will disclose any material developments in this respect. The Fund Manager announced that the Fund Board has approved the Fund Manager's recommendation to proceed with the acquisition of the shopping mall in the City of Riyadh and the shopping mall in the City of Jeddah.
20 March 2022	The Fund Manager announced that the Fund's Terms and Conditions were updated effective 17 Shaaban 1443, corresponding to 20 March 2022 in accordance with the requirements stipulated in Appendix (2) of the Real Estate Funds Regulations, as amended and announced on 1 March 2021.
8 August 2022	Further to the Fund Manager's announcement on 15 Dhul Hijjah 1442, corresponding to 25 July 2021, of the Fund Board's approval on 05 Dhul Hijjah 1442, corresponding to 15 July 2021 to increase the Fund's total asset value by acquiring three (3) properties (a shopping mall in the City of Riyadh, a shopping mall in the City of Jeddah, and a residential compound in the City of Khobar) for a sum total of SAR 1.53 billion, for which memoranda of understanding were signed by and between their owners and the Fund Manager. Also, further to the Fund Manager's announcement on 30 Rajab 1443, corresponding to 3 March 2022 of the Fund Board's approval of the Fund Manager's recommendation not to proceed with the acquisition of the shopping mall in the City of Riyadh and the shopping mall in the City of Jeddah, the Fund Manager announced its decision not to proceed with the acquisition of the residential compound in the City of Khobar, and the withdrawal and cancellation of the request for increase of the Fund's total asset value. It is noted that there is no effect resulting from opting not to proceed with the acquisition.
15 November 2023	<p>The Fund Manager announced a non fundamental change in the Terms and Conditions of Alkhabeer REIT Fund, effective as of 16 Jumada I, 1445, corresponding to 30 November 2023:</p> <ol style="list-style-type: none"> 1. Definitions: The name of Department of Zakat and Income Tax (DZIT) was changed to Zakat, Tax and Customs Authority (ZATCA) in the definition of the Value Added Tax (VAT). 2. Fund Directory: The list of Fund appointed valuers was updated. 3. Fund Summary: The following clauses were added for compliance with CMA's circular pertaining to the Fund Manager's compliance with the zakat collection rules: <ul style="list-style-type: none"> - ZATCA registration expenses. - Zakat. <p>The tax advisor's fees were updated.</p>

Announcement Date	Details
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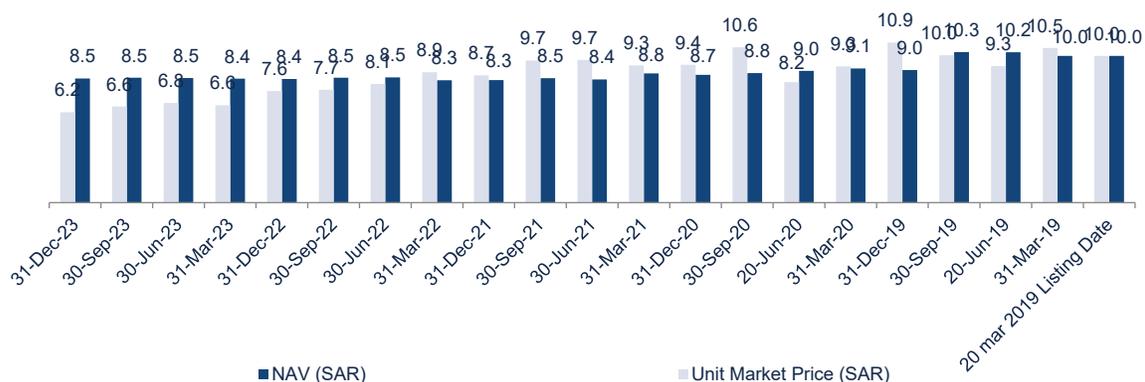
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|--|---|
| | <p>4. Risks of Investing in the Fund:</p> <ul style="list-style-type: none">- The Tax and Zakat Risk clause was updated for compliance with CMA's circular pertaining to the Fund Manager's compliance with the zakat collection rules.- DZIT was changed to ZATCA in the following risk clauses:<ul style="list-style-type: none">(a) VAT Risk.(b) Real Estate Transactions Tax Risk.(c) Withholding Tax Risk. |
| | <p>4. Fees, Service Charges, Commissions and Management Fees: All the clauses of the paragraph (Fees, Service Charges, Commissions and Management Fees) were updated in line with the following updates:</p> <ul style="list-style-type: none">- ZATCA registration expenses, and updating ZATCA's name as applicable.- Updating the tax advisor's fees.- Updating the calculation of Independent Directors' fees to the maximum limit as preset in the Fund's Terms and Conditions. |
| | <p>5. Fund Assets: The list of Fund appointed valuers was updated.</p> |
| | <p>6. Fund Board:</p> <ul style="list-style-type: none">- The Fund Board paragraph provisions were updated.- The Conflict of Interest clause was updated to comply with applicable laws and regulations. |
| | <p>7. Other information: The Zakat clause was updated for compliance with CMA's circular pertaining to the Fund Manager's compliance with the zakat collection rules.</p> |
| | <p>8. Appendix (2): Summary Financial Disclosure: The following clauses were added for compliance with CMA's circular pertaining to the Fund Manager's compliance with the zakat collection rules.</p> <ul style="list-style-type: none">- ZATCA registration expenses.- Zakat. |
| | <p>9. Appendix (3): Example for calculation of fees and Fund Total Expense Ratio:</p> <p>Updated all clauses of the paragraph of Appendix (3) in line with the following updates:</p> <ul style="list-style-type: none">- ZATCA registration expenses, and adding a clarification related to the registration expenses.- Updating the tax advisor's fees.- Updating the calculation of Independent Directors' fees to the maximum limit as preset in the Fund's Terms and Conditions. |

II) In respect of reports and distribution of dividends

Announcement Date	Details
6 January 2022	On 6 January 2022, the Fund Manager announced the availability Fund assets semi-annual valuation reports for the period ending 31 December 2021, prepared by accredited valuers in accordance with the Fund assets valuation policy as contained in the Fund's Terms and Conditions.
11 January 2022	On 11 January 2022, the Fund Manager announced availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 December 2021.
1 March 2022	On 1 March 2022, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.25% of the initial Unit Price (SAR 0.125 per Unit) for the period from 1 October 2021 to 31 December 2021.
31 March 2022	On 31 March 2022, the Fund Manager announced the availability of Alkhabeer REIT Fund's Annual Report containing the audited annual financial statements for the Fiscal Year ending 31 December 2021.
13 April 2022	On 13 April 2022, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 March 2022.
8 May 2022	On 8 May 2022, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.25% of the initial Unit Price (SAR 0.125 per Unit) for the period from 1 January 2022 to 31 March 2022.
13 July 2022	On 13 July 2022, the Fund Manager announced the availability Fund assets semi-annual valuation reports for the period ending 30 June 2022, prepared by accredited valuers in accordance with the Fund assets valuation policy as contained in the Fund's Terms and Conditions.
20 July 2022	On 20 July 2022, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 June 2022.
31 July 2022	On 31 July 2022, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.25% of the initial Unit Price (SAR 0.125 per Unit) for the period from 1 April 2022 to 30 June 2022.
24 August 2022	On 24 August 2022, the Fund Manager announced the availability of the Fund's reviewed proforma financial statements for the period ending 30 June 2022.
12 October 2022	On 12 October 2022, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 September 2022.
31 October 2022	On 31 October 2022, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.25% of the initial Unit Price (SAR 0.125 per Unit) for the period from 1 July 2022 to 30 September 2022.
11 January 2023	On 11 January 2023, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 December 2022.
18 January 2023	On 18 January 2023, the Fund Manager announced the availability of the semi-annual valuation reports of Alkhabeer REIT Fund assets for the period ended 31 December 2022.
31 January 2023	On 31 January 2023, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit) for the period from 1 October 2022 to 31 December 2022.

Announcement Date	Details
30 March 2023	On 30 March 2023, the Fund Manager announced the availability of Alkhabeer REIT Fund's Annual Report containing the audited annual financial statements for the Fiscal Year ending 31 December 2022.
13 April 2023	On 13 April 2023, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 March 2023.
1 May 2023	On 1 May 2023, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit) for the period from 1 January 2023 to 31 March 2023.
12 July 2023	On 12 July 2023, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 June 2023.
20 July 2023	On 20 July 2023, the Fund Manager announced the availability Fund assets semi-annual valuation reports for the period ending 30 June 2023, prepared by accredited valuers in accordance with the Fund assets valuation policy as contained in the Fund's Terms and Conditions.
31 July 2023	On 31 July 2023, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit) for the period from 1 April 2023 to 30 June 2023.
13 August 2023	On 13 August 2023, the Fund Manager announced the availability of the Fund's reviewed proforma financial statements for the period ending 30 June 2023.
11 October 2023	On 11 October 2023, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 September 2023.
1 November 2023	On 1 November 2023, the Fund Manager announced the distribution of cash dividends to Alkhabeer REIT Fund Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit) for the period from 1 July 2023 to 30 September 2023.

2. Net Asset Value and Unit Price Performance

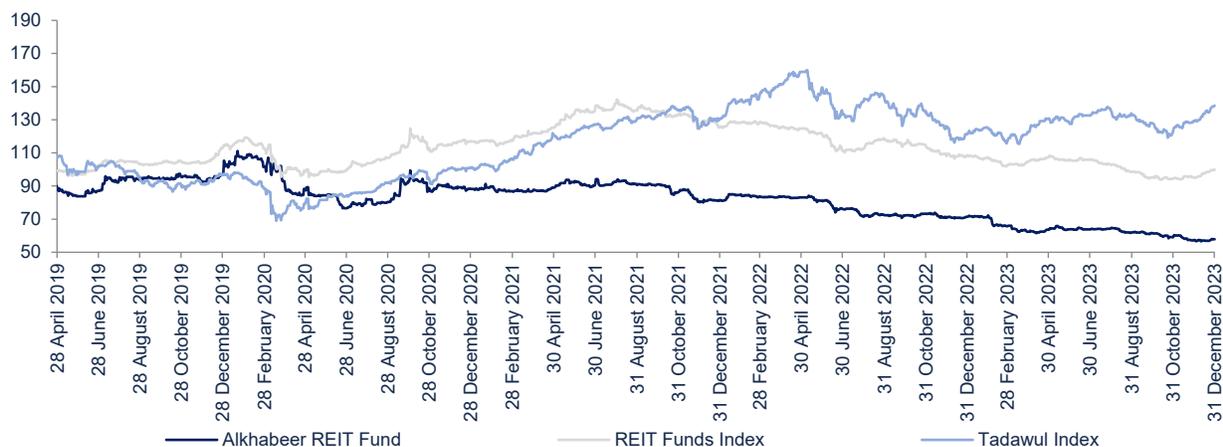


3. Dividend Distributions to Unitholders *



* Including cash dividends, declared by the Fund Manager on 31 January 2023, to be distributed to Alkabeer REIT Unitholders at a rate of 1.05% of the initial Unit Price (SAR 0.105 per Unit), for the period from 1 October 2023 to 31 December 2023.

4. Price Performance Comparison



* As at 31 December 2023

5. Annual Report approved by the Fund Board, containing subjects discussed and resolutions issued in relation to them, including the Fund's performance and achievement of its objectives

Meeting	Main Subjects and Fund Board Resolutions
	<p>Confirmation of the resolutions made by circulation during the period from the date of the Fund Board's last meeting:</p> <ul style="list-style-type: none"> (a) The Fund Board's Resolution made on 24 March 2022 concerning the approval of the financial statements (reviewed) for the fiscal period ended 31 December 2021. (b) The Fund Board's Resolution made on 29 March 2022 concerning approval of Alkhabeer REIT's 2021 annual report. (c) The Fund Board's Resolution made on 4 April 2022 concerning the approval to withdraw from the acquisition of Vittori Palace Hotel Property. (d) The Fund Board's Resolution made on 7 April 2022 concerning the approval of Alkhabeer REIT's investor report for Q1 of FY 2022 (quarterly report). (e) The Fund Board's Resolution made on 19 April 2022 concerning the approval of the supplementary annex of Alkhabeer REIT Fund related to the third increase of the Fund's asset value (Supplementary Annex). (f) The Fund Board's Resolution made on 8 May 2022 concerning the approval to distribute dividends to Unitholders for the period from 1 January 2022 to 31 March 2022 (Q1 of FY 2022), a sum total of SAR 17,626,105, or SAR 0.125 per Unit, representing 1.24% of the Initial Unit Price. (g) The Fund Board's Resolution made on 14 July 2022 concerning the approval of Alkhabeer REIT's investor report for Q2 of FY 2022 (quarterly report). (h) The Fund Board's Resolution made on 27 July 2022 concerning the approval to appoint representatives at Saudi Tadawul Group (Saudi Tadawul). (i) The Fund Board's Resolution made on 31 July 2022 concerning the approval to pay cash dividends for the period from 1 April 2022 to 30 June 2022 (Q2 of FY 2022).
<p>Meeting (No. 1-2023) on 12 March 2023</p>	<ul style="list-style-type: none"> (j) The Fund Board's Resolution made on 17 August 2022 concerning the approval of the summary proforma financial statements (unaudited) for the six months period ended 30 June 2022. (k) The Fund Board's Resolution made on 31 October 2022 concerning the approval to pay cash dividends for the period from 1 July 2022 to 30 September 2022 (Q3 of FY 2022). (l) The Fund Board's Resolution made on 21 November 2022 concerning the review and verification of independence of Alkhabeer REIT Fund Board members. <ul style="list-style-type: none"> 1. Necessity to search for service providers to provide all services, including without limitation: (maintenance – marketing – administration) of the Fund's underlying assets, which are available for direct operation (three assets). A list of the names of the proposed service providers shall be presented to the Fund Board for discussion. 2. Carrying out a complete study of all of the Fund's underlying real estate property. 3. Searching for law firms specialized in cases similar to the Gallery Mall property case. Such firms shall be located in the same vicinity of Gallery Mall. The study shall be presented to the Fund Board immediately upon completion. 4. Seeking the legal opinion of an external law firm in respect of the Fund's termination of the lease agreement of Al Saedan Real Estate Company. Decision on the subject of the termination of the lease shall be postponed pending verification that the contract of the Ministry of Transportation with them (Al Saedan Real Estate Company) will not be renewed. 5. Study the change of the current operator and the reduction of operating costs to deal with weak demand on the Gallery Mall Property. The Fund Manager shall submit its recommendations in this respect to the Fund Board on 13 April 2023. 6. Preparation of a approximate timeline for the collection of late payments in order to determine the approximate date of receiving them.

Meeting	Main Subjects and Fund Board Resolutions
	<ol style="list-style-type: none">7. Adding a table showing the Fund's returns compared to the returns of similar REIT funds offered in the market.8. Implementing clear and specific procedures where authority is delegated to manage the affairs of the Company's boards and committees, to forward resolutions to the Compliance and MLR Department immediately upon completing of the meeting without delay, and specifically resolutions which are classified as a material development and which must be disclosed and published on Saudi Tadawul's website in accordance with the Implementing Regulations issued to implement the Capital Market Law.9. Disclosing immediately any material developments in relation to the assets of the Fund, irrespective of their nature, and to designate a person in the future who is held responsible for any delay in notifying resolutions to the said Department.10. Approving the Fund's green classification to be maintained.
Meeting (No. 2-2023) on 7 September 2023	<ol style="list-style-type: none">1. Mr. Ammar Ahmed Shatta – Chairman of the Fund Board – called for a meeting of the Fund Board to be held at the earliest during the month of October to discuss the Fund's performance development plan in accordance with a clear strategy to be approved by the Fund Board. He also attached some comments on the Fund Manager's report (attached).2. Mr. Adel Abdullah Samoum – Fund Board Member – requested a report on the latest developments in relation to the currently pending legal cases by the Fund as Plaintiff, or against it as Defendant, in order to determine their volume and positive or negative impact on the Fund's performance, if this is possible.
Meeting (No. 3-2023) on 22 November 2023	<p>Confirmation of the resolutions made by circulation during the period from the date of the Fund Board's last meeting:</p> <ol style="list-style-type: none">(m) The Fund Board's Resolution made on 3 January 2023 concerning the review of the annual report on complaints and action taken in 2022.(n) The Fund Board's Resolution made on 8 January 2023 concerning the approval of Alkhabeer REIT investor report for Q4 of FY 2022 (quarterly report).(o) The Fund Board's Resolution made on 12 January 2023 concerning the review of the risk assessment report and the valuation of performance and quality of services provided by the parties concerned.(p) The Fund Board's Resolution made on 31 January 2023 concerning the approval of proposed distributions – Q4 of FY 2022.(q) The Fund Board's Resolution made on 22 March 2023 concerning the financial statements and the independent auditor's report for the year ended 31 December 2022.(r) The Fund Board's Resolution made on 23 March 2023 concerning the approval of Alkhabeer REIT's 2022 Annual Report.(s) The Fund Board's Resolution made on 11 April 2023 concerning the approval of Alkhabeer REIT's investor report for Q1 of FY 2023 (quarterly report).(t) The Fund Board's Resolution made on 30 April 2023 concerning the approval of the proposed distributions – for Q1 of FY 2023.(u) The Fund Board's Resolution made on 10 July 2023 concerning the approval of Alkhabeer REIT's investor report for Q2 of FY 2023 (quarterly report).(v) The Fund Board's Resolution made on 30 July 2023 concerning the approval of proposed distributions – for Q2 of FY 2023.(w) The Fund Board's Resolution made on 8 August 2023 concerning the summary proforma financial statements (unaudited) for the six month period ended 20 June 2023.(x) The Fund Board's Resolution made on 8 October 2023 concerning the approval of Alkhabeer REIT's investor report for Q3 of FY 2023 (quarterly report)..(y) The Fund Board's Resolution made on 29 October 2023 concerning the approval of the Terms and Conditions Memorandum.(z) The Fund Board's Resolution made on 31 October 2023 concerning the approval of payment of cash dividends for the period from 1 July 2023 to 30 September 2023.1. Coordinating with the Fund's legal advisor to monitor the auction where the assets of Solaiman Alqodaibi Sons Co. assets will be liquidated, in order to capitalize on investment opportunities which may prove to be to the benefit of Alkhabeer REIT Fund.

Meeting	Main Subjects and Fund Board Resolutions
	<ol style="list-style-type: none"> 2. Conduct a detailed study of Galley Mall Property for the past years to show the operation of 50% of the leased areas. 3. Consider the settlement proposal submitted by Nomou Company Limited, in coordination with the Fund's legal advisor, and present recommendations in this respect to the Fund Board by circulation. 4. Prepare an analysis of the expectations of all potential obligations which may be incurred by the Fund and determine the total amounts of expected obligations. 5. Coordinate with the Fund's legal advisor to review the contract signed with Tabuk Municipality pertaining to the Gallery Mall Property, ahead of the meeting to be held with the Head of Investment Department at Tabuk Municipality. 6. Update the comparison table of the REIT funds performance by adding Jadwa Investment Company. 7. Prepare three scenarios of the Fund's operating income expectations analysis reports, in addition to creating the report by adding the expected returns from the legal cases involving the Fund's properties. 8. Prepare an analytic plan of the sale price results as part of several scenarios, such that the lowest sale price is determined, through which the current return may be maintained, with risks minimized, and submit recommendations to the Fund Board. 9. Approve the Fund's green classification to be maintained.
<p>Additional Resolutions by Circulation</p>	<ol style="list-style-type: none"> 1. The Fund Board's Resolution made on 11 December 2023 concerning the approval of the settlement agreement with Nomou Company Limited. 2. The Fund Board's Resolution made on 13 December 2023 concerning the approval of payment of fees to the Corporate Finance Department of the Fund Manager "Alkhabeer Capital", in consideration of fees for arranging and restructuring the credit facilities. 3. The Fund Board's Resolution made on 18 December 2023 concerning the review and verification of the independence of Alkhabeer REIT Fund Board members.

6. Statement on special commissions received by the Fund Manager during the period, showing clearly their nature and their uses

N/A

(E) Risk Assessment Report

Expected Risks	Risk Description	Risk Mitigation Techniques
<p>Rent Collection Risks</p>	<p>Inability of the tenants to pay rents due to the Fund in accordance with the lease agreements signed with them, whether because of the tenant's insolvency or given the lack of liquidity when the rent becomes due. As such, the Fund will not be able, or will fail, to fulfill its periodic or targeted distribution obligations towards Unitholders in the future in accordance with the Terms and Conditions of the Fund.</p>	<ul style="list-style-type: none"> • The Fund Manager entered into long term lease agreements with key tenants. The Fund Manager continually endeavors to ensure that the Fund has a diverse and solid tenant base, including government and private sector tenants. This is considered the best strategy to minimize risks of tenant default. • To implement specific marketing strategies through relevant property managers and operators to maintain and increase the occupancy rate of the Fund's properties. • The average lease term of the Fund's properties was around 10 years. • As collateral for payment of the rental values of the assets, 259 promissory notes were signed for a total value of SAR 1,644 million to guarantee rental payments. • The Fund Manager also closely monitors the performance of the Fund's assets. Moreover, the Fund Manager regularly meets with the agents and operators of the properties to closely monitor the assets' performance and take immediate action to ensure that the Fund achieves its aspired objectives. • The Fund Board approved a rent collection policy and an escalation policy in the event of failure of any tenant to pay rent when due.
<p>Exit Risks</p>	<p>Inability of the Fund Manager to timely liquidate the initial assets in accordance with the Fund's strategy. This risk becomes more significant as the Fund approaches the end of its specified term.</p>	<ul style="list-style-type: none"> • The Fund Term is very long (99 years, renewable), during which the Fund Units will continue to be traded on the Exchange, giving Unitholders the ability to exit at the time of their choosing at prevailing market prices.
<p>Interest Rate Risks</p>	<p>Risks of fluctuation of the value of financial instruments due to the changes in the rates of return, which are affected by the interest rates.</p>	<ul style="list-style-type: none"> • To mitigate high interest rate risks, the Fund Manager signed a Shari'ah compliant hedging agreement: <ol style="list-style-type: none"> 1. In respect of the first financing amount drawn from Al Rajhi Bank in the sum of SAR 340 million, the Fund Manager signed on 19 November 2019, a Shari'a compliant hedging agreement with Banque Saudi Fransi to fix the profit margin of the signed credit facilities. 2. In respect of the second financing amount drawn from Al Rajhi Bank in the

Expected Risks	Risk Description	Risk Mitigation Techniques
Geographic and Sector Concentration Risks	Risks related to the concentration of the Fund's assets in a particular geographic or real estate sector.	<p>sum of SAR 397.5 million, the Fund Manager signed on 27 July 2021, a Shari'a complaint hedging agreement Al Rajhi Bank to fix the profit margin of the signed credit facilities.</p> <ul style="list-style-type: none"> • The Fund Manager endeavors to maintain low geographic concentration levels, thus reducing the severity of the effect caused by an economic recession potentially affecting a given geography or a specific real estate sector, on the Fund's assets. • The Fund's assets are distributed across the retail, office, residential, education and logistics sectors in Jeddah, Riyadh and Tabuk. The Fund Manager aims to expand the scope of diversification by acquiring properties in new areas and sectors.
Regulatory and Geopolitical Risks in the Country of Investment	The risks of suffering potential adverse effects caused by new government regulations, policies and taxes or a sociopolitical instability, on the Fund's performance and/or liquidity.	<ul style="list-style-type: none"> • At present, the Fund invests all of its assets in the Kingdom of Saudi Arabia. Investment abroad will not exceed 25% of Fund Size, in accordance with the Real Estate Investment Traded Funds Instructions. • The Fund manages the various risks related to the country in which it invests, including any changes in regulations, policies and taxes, by closely monitoring the regulatory / political / taxation conditions in the Kingdom of Saudi Arabia and anticipating and preparing for any possible change.
Economic Risks	The risks of suffering a potential effect caused by a macroeconomic deterioration, on the performance and valuation of the initial assets, and consequently on the Fund.	<ul style="list-style-type: none"> • The Fund Manager continues to closely monitor the macroeconomic condition in general, and any development in the real estate sector in particular, to ensure proper decisions are made accordingly.
Operational Risks	Operational risks are the risks of incurring a direct or indirect loss as a result of unforeseen operating or capital expenses for the improvement and maintenance of the properties, whether for a cause related to the Fund's service provider, or for other externalities, in addition to the credit, liquidity, currency and market risks, such as those which may arise as a result of the legal and regulatory requirements.	<ul style="list-style-type: none"> • The Fund Manager, Alkhabeer Capital, has an outstanding track record and vast experience in asset management. • To ensure application of best practices, some of the key functions which require specialized expertise, were assigned to experienced and reputable service providers with good track records. • The Fund's overall objective is to manage the operational risks to strike a balance in minimizing the financial losses and damages which may be caused to the Fund's reputation by achieving the Fund's investment objective, namely realizing returns to Unitholders.

Expected Risks	Risk Description	Risk Mitigation Techniques
Regulatory Compliance Risks	Failure of the Fund to comply with applicable laws, rules and regulations in effect in the countries where it aims to invest. Such risks include the legal, regulatory and Shari'a compliance risks.	<ul style="list-style-type: none"> The Fund Manager also closely monitors the performance of the initial assets through periodic visits. It also holds regular meetings with the property managers to assess any issues / events which may lead to poor Fund performance. The Fund Manager continues to monitor the Fund's compliance with applicable laws and regulations and the Fund's Terms and Conditions. It will also take all necessary action to fulfill these requirements.
Valuation Risks	The risks that the Fund's market value drops far below the Fund's Net Asset Value (NAV), which could occur as a result of an exaggerated valuation of the initial assets above their actual market value.	<ul style="list-style-type: none"> The Fund Manager addresses these risks by: <ul style="list-style-type: none"> Before Acquisition: Carrying out due diligence and valuation. After Acquisition: Focusing on realizing benefits and increasing the value in the long term for Unitholders, as well as on its ability to generate sustainable periodic rental income yield with the capacity to achieve long term growth. The risks of valuation of the Fund Units below the Net Asset Value (NAV) are subject to the overall market sentiment and the prevailing views on the real estate investment traded funds sector as a whole and the properties sector in general. When compared to global valuation, real estate investment traded (REIT) funds are traded in most countries at a price that is lower than the NAV.
Liquidity Risks	Liquidity risks relate to the potential inability of the Fund to secure sufficient cash resources to fully pay its obligations when they become due, or the Fund's inability to do so except with extremely unfavorable and harsh conditions.	<ul style="list-style-type: none"> The Fund Manager monitors the liquidity requirements by ensuring the availability of sufficient funds to fulfill any obligations when they arise, either through the allocation of a cash reserve, disposal of investment properties, or obtaining short term loans.
Fund Manager Risks	Unitholders may not have the opportunity to participate in the day-to-day operations or decisions of the Fund or exercise any control thereon, including the investment decisions and actions taken by the Fund Manager, which may affect the Fund's performance.	<ul style="list-style-type: none"> The Fund Manager has developed systems and controls to ensure the Fund's continued compliance with regulations at all times, and manage the Fund's risks accordingly. The Fund Manager relies on the expertise of its highly experienced investment team to best serve the interests of Unitholders and realize the Fund's long term growth aspirations.

Expected Risks	Risk Description	Risk Mitigation Techniques
Development Risks	<p>Relate to the Fund's assets under development, including the delay in the completion of works beyond the approved time schedule, any estimated development cost overrun, the inability to sign lease contracts to generate expected revenues, the failure of any of the contractors, in addition to factors related to the construction sector which are beyond the Fund Manager's control (including bad weather conditions, environmental changes, and unavailability of building materials in the market), obstructing the completion of the development works, and thus resulting in the inability to generate the projected revenues upon completion of the development activities.</p>	<ul style="list-style-type: none"> • When certain functions / activities are assigned to third parties, the Fund Manager shall perform the proper due diligence on those service providers and ensure their acceptance of, and compliance with, the Fund Manager's work conditions. • The Fund invests the majority of its assets in developed properties. Investment in assets under development shall not exceed 25% of Fund Size, in accordance with applicable laws and regulations. • The Fund Manager shall assign the development works to experienced service providers capable of completing works.
Legal Risks	<p>Relate to potential cases arising from disputes related to the contracts signed by the Fund with counterparties.</p>	<ul style="list-style-type: none"> • The Fund Manager shall have the contracts reviewed by the Fund's Legal Advisor before their signing to ensure the protection of the Fund's rights. • In the event of a dispute, the Fund Manager shall appoint a qualified legal advisor to follow up the case.
COVID-19 Pandemic Risks	<p>The spread of the COVID-19 pandemic or any other pandemic may cause the Fund's properties to suspend operation or fail to achieve their projected income, due to curfew or restriction of movement in the areas where the Fund properties are located, or as a result of other consequences of the pandemic. This will give rise to a period of economic slowdown with a material adverse effect on amounts</p>	<ul style="list-style-type: none"> • The Fund Manager will adopt a number of strategies to minimize the effects of such events, including for example: • Signing long term lease agreements with master tenants. • Continually endeavoring to ensure that the Fund has a diverse and solid tenant base in the public and private sectors. • Asset class and geographic diversification. • The Fund Manager ensures maintaining low levels of geographic concentration, with the assets distributed in diverse real estate sectors. The Fund's assets are currently distributed in the retail, office, residential,

Expected Risks	Risk Description	Risk Mitigation Techniques
	available for distribution to Unitholders.	education and logistics sectors, in Jeddah, Riyadh and Tabuk. The Fund Manager seeks to expand the diversification sphere by acquiring properties in new regions and sectors. <ul style="list-style-type: none">• Continuously managing and monitoring the Fund's cash flows and effectively communicating with all tenants of the Fund's real estate assets during the crisis period, as well as endeavoring to find appropriate solutions (if applicable) to maximize benefit to the Fund.• Strict compliance with the preventative measures and other government rules.

(F) Fund's Property Overview



First Property: Almalga Residential Compound

City of Riyadh



Property Overview

Property Location	Almalga District, Wadi Hajr Street, off King Fahad Road, Riyadh
Location Coordinates	24°48'55.08"N 46°36'51.06"E
Use	Residential
Ownership	Freehold
Property Description	Gated Residential Compound
Property Components	18 buildings comprised of 252 furnished residential units divided as follows: <ul style="list-style-type: none"> – 222 units offering three bedrooms – 10 units offering two bedrooms – 18 units (studio) in the basement
Number of Floors	3 floors and a penthouse
Property Facilities	The Property has an underground car parking area of 10,000 m ² in the basement, indoor swimming pools, common entertainment areas, multi-use halls and two health clubs
Land Area	15,925 m ²
Total Built-Up Area	41,362 m ²

Second Property: Gallery Mall

City of Tabuk



Property Overview

Property Location	Alsaliya District, King Fahad Road intersection with Prince Fahad bin Sultan Road, Tabuk
Location Coordinates	28°23'37.8"N 36°33'38.1"E
Use	Retail
Ownership	Leasehold. A contract for the investment of a land owned by the Government, represented by the Municipality of Tabuk, allowing the investor to build a marketplace, acquire its proceeds for a period of 25 years (starting 1434H), and thereafter return it to the Municipality of Tabuk on a build and operate basis.
Property Description	Closed Mall
Property Components	The Mall includes 139 retail stores, 15 restaurants, 39 kiosks and 4 coffee shops
Number of Floors	Basement and two floors
Property Facilities	The Mall includes an underground 300-car parking space, in addition to a 600-car outdoor parking lot, 3 elevators, 6 escalators, 3 service lifts and an entertainment hall
Land Area	41,630 m ²
Total Built-Up Area	43,625 m ²

Third Property: Palazzo Plaza

City of Riyadh



Property Overview

Property Location	Sulaimaniya District, King Mohamed V Street, Riyadh
Location Coordinates	24°42'1.22"N 46°42'7.56"E
Use	Retail
Ownership	Freehold
Property Description	Mall (Plaza)
Property Components	The Property includes 15 retail outlets
Number of Floors	2 Floors (Ground Floor and Mezzanine)
Property Facilities	The Property includes a car parking area of 3,000 m ²
Land Area	6,050 m ²
Total Built-Up Area	5,648 m ²

Fourth Property: P&Q (formerly Home Works Center)

City of Riyadh



Property Overview

Property Location	King Fahad District, King Abdullah Road, Riyadh
Location Coordinates	24°43'54.5"N 46°40'16.9"E
Use	Retail
Ownership	Freehold
Property Description	A retail center under the Home Works brand
Property Components	Mall (Outlet)
Number of Floors	One floor, in addition to a basement
Property Facilities	Underground and outdoor parking spaces
Land Area	7,000 m ²
Total Built-Up Area	9,181 m ²

Fifth Property: Ahlan Court

City of Jeddah



Property Overview

Property Location	Al Andalus District, Prince Mohammed bin Abdulaziz Street, Jeddah
Location Coordinates	21°32'50.87"N 39° 8'23.63"E
Use	Retail
Ownership	Freehold
Property Description	Mall (Plaza)
Property Components	9 outlets and 1 office
Number of Floors	2 Floors
Property Facilities	Car parking spaces
Land Area	4,342 m ²
Total Built-Up Area	2,758 m ²

Sixth Property: BIN II Plaza

City of Jeddah



Property Overview

Property Location	Amwaj District, Prince Abdulmajeed Road intersection with Prince Nayef Road, Jeddah
Location Coordinates	21°45'41.6"N 39°04'42.3"E
Use	Retail / Office
Ownership	Freehold
Property Description	Three commercial and retail buildings
Property Components	Comprised of 21 offices and 42 retail outlets
Number of Floors	3 Floors
Property Facilities	Outdoor car parking spaces
Land Area	20,642 m ²
Total Built-Up Area	21,305 m ²

Seventh Property: Elite Commercial Center

City of Jeddah



Property Overview

Property Location	Al Andalus District, Prince Mohammed Bin Abdulaziz Street, Jeddah
Location Coordinates	21°32'50.86"N 39° 8'22.36"E
Use	Retail / Office
Ownership	Freehold
Property Description	Office Commercial Center
Property Components	6 retail outlets and 45 offices
Number of Floors	5 Floors and Mezzanine
Property Facilities	Outdoor and underground car parking spaces
Land Area	4,320 m ²
Total Built-Up Area	15,712 m ²

Eighth Property: Elegance Tower

City of Riyadh



Property Overview

Property Location	Morooj District, King Fahad Street, Riyadh
Location Coordinates	24°45'28.64"N 46°39'3.72"E"
Use	Office
Ownership	Freehold
Property Description	Office Tower
Property Components	Offices
Number of Floors	27 Floors and a 5-storey car parking with 720 parking spaces
Property Facilities	The Property includes car parking spaces, a restaurant, a swimming pool, a health club and a helipad
Land Area	5,695 m ²
Total Built-Up Area	58,163 m ²

Ninth Property: Vision Education Colleges (formerly Al-Farabi)

City of Riyadh



Property Overview

Property Location	Ishbilia Street, Arab Sea Road, Riyadh
Location Coordinates	24°47'31.5"N 46°48'08.2"E
Use	Education
Ownership	Freehold
Property Description	Education Colleges
Property Components	93 offices, 67 classrooms and 26 laboratories
Number of Floors	(Five Floors), Two Basement and Ground, Two Floors and a 352-Car Parking Lot
Property Facilities	The Property includes a rest area, a cafeteria and a prayer room
Land Area	17,046 m ²
Total Built-Up Area	15,375 m ²

Tenth Property: Vision Colleges Training Building (formerly Al-Farabi)

City of Riyadh



Property Overview

Property Location	Ishbilia Street, Arab Sea Road, Riyadh
Location Coordinates	24°47'33.1"N 46°48'04.5"E
Use	Education
Ownership	Freehold
Property Description	Training building for education colleges
Property Components	In process of completing the development works in order for the building to be allocated for the training clinics
Number of Floors	Four floors (Basement, Ground Floor and two Floors)
Land Area	11,340 m ²
Total Built-Up Area (As per the Building Permit)	48,770.76 m ²

Eleventh Property: Vision Education Colleges, Jeddah

City of Jeddah



Property Overview

Property Location	Rayan District, East of Al-Haramain Expressway, Jeddah
Location Coordinates	21°39'30.6"N 39°12'16.7"E
Use	Education
Ownership	Freehold
Property Description	Education colleges
Property Components	Reception + Administration Offices + Clinics + Laboratories + Classrooms + 4 Elevators
Number of Floors	Thirteen Floors + Basement + Ground Floor
Land Area	3,020.18 m ²
Total Built-Up Area (As per the Building Permit)	13,785 m ²

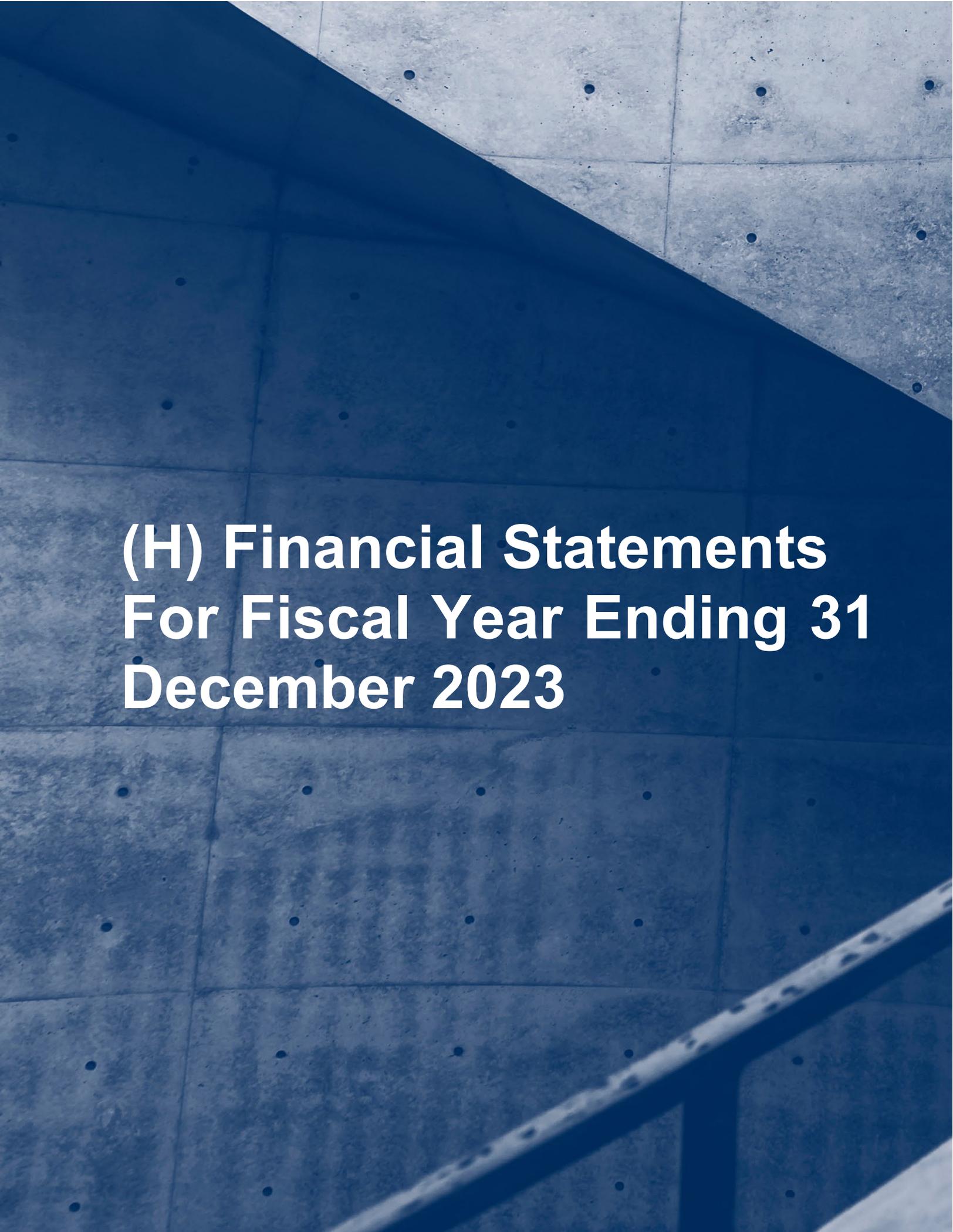
Twelfth Property: Akun Warehouses

City of Jeddah



Property Overview

Property Location	Intersection of King Faisal Road and South Corniche Road, King Faisal Naval Base District
Location Coordinates	21°19'50.2"N 39°11'26.1"E
Use	Logistics
Ownership	Freehold
Property Description	Cold Storage
Property Components	36 Cold Stores + Administration Offices
Number of Floors	One Ground Floor + Mezzanine
Land Area	21,118.53 m ²
Total Built-Up Area (As per the Building Permit)	12,888.83 m ²



**(H) Financial Statements
For Fiscal Year Ending 31
December 2023**

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

ALKHABEER REIT FUND – Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

INDEX	PAGE
Independent auditor’s report	1 – 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity attributable to unitholders	8
Statement of cash flows	9
Notes to the financial statements	10 – 35

INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the financial statements of **Alkhabeer Reit Fund (a real estate investment traded fund) (“The Fund”)** managed by **Alkhabeer Capital Company (“The Fund Manager”)**, which comprise the statement of financial position as at December 31, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity attributable to unitholders and statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Fund in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. Below are the descriptions of each key audit matter and how our audit procedures addressed the matters mentioned:

Key Audit Matters	How We Addressed Key Audit Matters
<p>Investment properties and right of use asset</p> <p>Impairment of investment properties and right of use asset.</p> <p>As at 31 December 2023, the book value of investment properties and right of use asset held by the Fund amounted to SAR 1.821 million (2022: SAR 1.845 million).</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in the valuation of investment properties and right of use asset comprised of:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the management processes for identification and mitigation of the severity of valuation risk.

Independent Auditor's Report - continued

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

Key Audit Matters (Continued)

Key Audit Matters	How We Addressed Key Audit Matters
<p>Investment properties and right of use asset is measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties is presenter at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investment property and right of use asset is disclosed along with its impact on net assets per unit.</p> <p>In accordance with the requirements of relevant IFRSs of impairment on its properties at each reporting date. In case such indicators are identified, the recoverable amount of these properties must be determined.</p> <p>As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including, but not limited to, net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts require the use of complex valuation techniques.</p> <p>Since the evaluation of impairment indicators and recoverable amounts, where necessary, involves the exercise of significant judgment, it was consider a key audit matter.</p> <p>Notes 8 and 9 to the financial statements illustrate significant judgements and assumptions applied in the determination of the recoverable amounts of the investment properties and right of use asset and note 4 illustrates the details of related accounting policies.</p>	<ul style="list-style-type: none"> ▪ Performed test of details on capitalized costs and ensured that all costs are appropriately capitalized. ▪ Assessed the Fund Manager's determination of the following: <ul style="list-style-type: none"> - The factors taken into consideration when assessing indicators of impairment, and - The base used to determine cash generating units, which is the level used to calculate the recoverable amount. ▪ Assessed the recoverable amount determined by the Fund by using valuation reports prepared by two independent valuers and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal ('fair value') and value in use. ▪ Assessed the key assumptions and estimates used, including discount rate, rental income, operating expenditures. Checked sensitivity analysis, including assessment of the effect of reasonably possible changes in the discount rate and operating expenditures on the forecasted cash flows to measure the impact. ▪ Compared the recoverable amount of each cash-generating unit with its listed book value. ▪ We have reviewed the financial statement disclosures. ▪ We have reviewed the disclosures of key assumptions and judgements.

Independent Auditor’s Report - continued

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

Key Audit Matters (Continued)

Key Audit Matters	How We Addressed Key Audit Matters
<p>The Fund uses valuation reports from the independent valuers appointed by the Fund Manager to measure the fair value of properties at the reporting date.</p> <p>We considered this as a key audit matter since the valuation requires significant judgment with respect to the appropriateness of the method used, and any inaccurate inputs in this judgment could result in material misstatement of the financial statements disclosure.</p>	<ul style="list-style-type: none"> ▪ Assessed the independence, professional qualifications, competence and experience of the Fund’s independent valuers, also ensured the valuers were certified by the Saudi Authority for Accredited Valuers (TAQEEM). We used our specialists on this field to review the assumptions used in valuing the investment properties and right of use asset. ▪ Evaluated the observable inputs used in the valuations, such as rental income, occupancy rates, items details, and lease duration by referring to lease agreements for a sample of properties.

Other information included in the Fund’s 2023 Annual Report

Other information consists of the information included in the Fund’s 2023 Annual Report, other than the financial statements and our report thereon.

The Fund Board of Directors is responsible for the other information. The Fund’s 2023 Annual Report is expected to be made available to us after the date of this report.

Our opinion on the accompanying financial statements does not cover the other information and we will not express any form of assurance regarding them.

Regarding our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available to us. In doing so, we consider whether this information is materially inconsistent with the accompanying financial statements, information obtained during our audit, or otherwise materially misstated.

When we read the annual report when it is available to us, and if we find any material misstatement therein, we are required to report on this matter to those charged with governance.



Independent Auditor's Report - continued

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

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants, the applicable provisions of the investment fund regulations issued by the Capital Market Authority and the Fund's terms and conditions and information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (Fund Board of Directors) are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

Independent Auditor's Report - Continued

To The Unitholders

Alkhabeer Reit Fund – Expressed in Saudi Riyal

(Managed by Alkhabeer Capital Company)

Jeddah, Kingdom of Saudi Arabia

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



**Crowe Solutions
For Professional Consulting**



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

Ramadhan 15, 1445H (March 25, 2024)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(Expressed in Saudi Riyal)

		As at December 31,	
	Note	2023	2022
ASSETS			
Current assets			
Cash at banks		27,111,669	23,426,959
Account receivables	5	5,664,474	7,960,481
Prepaid expenses and other debit balances	6	6,414,706	6,845,857
Due from a related party	7-a	18,781	18,781
Total current assets		39,209,630	38,252,078
Non-current assets			
Right of use asset	8-a	133,031,169	141,475,645
Investment properties	9	1,688,339,039	1,703,538,613
Total non-current assets		1,821,370,208	1,845,014,258
Total assets		1,860,579,838	1,883,266,336
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Due to related parties	7-b	6,886,432	7,239,243
Lease liabilities – current portion	8-b	1,082,497	1,055,825
Accrued expenses and other credit balances	11	55,759,944	53,208,599
Total current liabilities		63,728,873	61,503,667
Non-current liabilities			
Lease liabilities – non-current portion	8-b	13,742,239	14,565,293
Credit facilities	10	737,500,000	737,500,000
Total non-current liabilities		751,242,239	752,065,293
Total liabilities		814,971,112	813,568,960
EQUITY ATTRIBUTABLE TO UNITHOLDERS		1,045,608,726	1,069,697,376
Total liabilities and equity attributable to unitholders		1,860,579,838	1,883,266,336
Number of units issued (unit)		141,008,848	141,008,848
Equity per unit – book value	9-c	7.4152	7.5860
Equity per unit – fair value	9-c	8.4592	8.4213

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

		FOR THE YEAR ENDED DECEMBER 31	
	Note	2023	2022
Rental income	12	123,723,817	118,761,665
Expenses			
Properties management fees	14	(10,686,672)	(5,855,608)
Administration and custody fees	7-14	(792,593)	(790,607)
Management fees	7-14	(8,998,722)	(9,000,081)
Expected credit losses	5	(2,205,336)	(15,000,000)
Other expenses	13	(7,191,694)	(3,555,825)
Total expenses		(29,875,017)	(34,202,121)
Finance cost		(31,825,865)	(38,030,318)
Depreciation of investment properties and right of use asset	8-9	(43,539,904)	(43,407,403)
Reversal of impairment of investment properties	9	16,652,035	40,254,221
Profit for the year		35,135,066	43,376,044
Other comprehensive income		-	-
Total comprehensive income for the year		35,135,066	43,376,044

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

	FOR THE YEAR ENDED DECEMBER 31	
Note	2023	2022
Equity attributable to unitholders		
Equity attributable to unitholders at the beginning of the year	1,069,697,376	1,096,825,756
Dividends	17 (59,223,716)	(70,504,424)
Comprehensive income for the year	35,135,066	43,376,044
Equity attributable to unitholders at the end of the year	1,045,608,726	1,069,697,376

Transactions in units for the year are summarized as follows:

Number of units at the beginning of the year	141,008,848	141,008,848
Number of units at the end of the year	141,008,848	141,008,848

*No units were issued or disposed during the years ended December 31, 2023 and 2022.

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

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

	FOR THE YEAR ENDED	
	DECEMBER 31	
	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Profit for the year	35,135,066	43,376,044
Adjustments:		
Depreciation of investment properties and right of use asset	43,539,904	43,407,403
Reversal of impairment of investment properties	(16,652,035)	(40,254,221)
Interest charged on lease liabilities (included in finance cost)	782,618	820,613
Finance cost	31,043,247	37,209,705
Expected credit losses	2,205,336	15,000,000
Changes in operating assets and liabilities:		
Account receivables	(4,303,579)	(7,954,355)
Prepaid expenses and other debit balances	431,151	8,138,224
Due to related parties	(352,811)	1,594,724
Accrued expenses and other credit balances	(22,581,361)	(24,603,692)
Net cash provided by operating activities	69,247,536	76,734,445
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions to investment properties	(1,767,900)	(1,365,465)
Additions to right of use asset	(1,475,919)	(1,115,755)
Net cash used in investing activities	(3,243,819)	(2,481,220)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	(40,023,537)	(63,529,424)
Lease payments	(1,579,000)	(1,579,000)
Finance cost paid	(20,716,470)	(36,686,523)
Net cash used in financing activities	(62,319,007)	(101,794,947)
Net change in cash at banks	3,684,710	(27,541,722)
Cash at banks at the beginning of the year	23,426,959	50,968,681
Cash at banks at the end of the year	27,111,669	23,426,959
<u>Non-cash items:</u>		
Written off receivables balance against dividends	4,394,250	6,975,000

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

1. THE FUND AND ITS ACTIVITIES

Alkhabeer REIT Fund (the "Fund") is a closed-ended Sharia compliant real estate investment traded fund, established in accordance with the rules and regulations enforced in the Kingdom of Saudi Arabia as well as under the guidelines of the Capital Market Authority ("CMA"). The Fund has been established on December 16, 2018 and managed by Alkhabeer Capital Company ("Alkhabeer Capital" or the "Fund Manager"), for the benefit of the Fund's unitholders. The Fund is listed on the Saudi Stock Exchange (Tadawul). The Fund is ultimately supervised by the Fund Board of Directors. Alinma Investment Company acts as the Custodian of the Fund.

The Fund's main investment objective is to generate rental income yield and periodic cash distributions of not less than 90% of the Fund's annual net profit, by investing not less than 75% of the Funds total assets, according to its last audited financial statements, in income generating real estate assets in the Kingdom of Saudi Arabia excluding Makkah and Medina.

The terms and conditions of the Fund were approved by the Capital Market Authority ("CMA") on October 16, 2018 (corresponding to Safar 8, 1440 H), and the initial offering period was 15 days, starting from November 11, 2018 and ending on November 29, 2018. The Fund started its activities on December 16 2018, and the Fund was listed on Tadawul on March 20, 2019.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered owners of the assets of the Fund and distributions is made in relation to their respective ownership in the total number of outstanding units.

The Fund's term is ninety-nine (99) year follow the date of listing units on Saudi Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Board's guidelines in its investments and transactions.

2. REGULATORY AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA on Jumada al-Alkhirah 19, 1427H (corresponding to July 15, 2006) thereafter amended on Rajab 12, 1442H (corresponding to February 24, 2021), detailing requirements for all funds traded in real estate that must follow the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

Basis of compliance

The accompanying financial statements for the Fund have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA), and the provisions specified by the Fund regulations issued by the CMA, the terms and conditions of the Fund and the information memorandum.

Basis of measurement

These financial statements of the Fund have been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern basis.

Functional and presentation currency

The accompanying financial statements are presented in Saudi Riyal, which is the Fund's functional and presentation currency.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

Fair value measurement

The fair value represents the amount that may be collected from selling an asset or paying it to transfer a liability between informed parties under the same terms of business with others. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a primary market, or
- Use discounted cash flows in the absence of a major market or the most advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and notes that require calculating the fair value of financial and non-financial assets and liabilities.
- The Fund uses market inputs that are observable as far as possible when measuring the fair value of assets and liabilities.

The Fund determines fair value using valuation techniques. The Fund also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

The Fund recognizes transfers between fair value levels at the end of the reporting period at the same time as the change occurs, the Fund Manager believes that its estimates and assumptions are reasonable and sufficient.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) New standards, amendments to standards and interpretations:

The Fund adopted the following new standards and amendments for the first time as of January 1, 2023, and the Fund Manager believes that the amendments do not have a material impact on the Fund's financial statements.

- IFRS 17 "Insurance Contracts"

This standard replaces IFRS 4, which allows for a wider range of practices in accounting for insurance contracts.

- Limited scope amendments to IAS 1, Practice Statement 2 and IAS 8

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

- Amendments to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction

Requires companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of deductible and taxable temporary differences.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

- Amendment to IAS 12 - Global Tax Reform: Model Rules for Pillar 2

These amendments provide companies with a temporary exemption from accounting for deferred taxes arising from global tax reform. The amendments also include targeted disclosure requirements for affected companies.

b) Standards issued that have not yet been effective

The following is a statement of the new standards and amendments to the standards applied for the years beginning on or after January 1, 2024, with early application permitted, but the Fund did not apply them when preparing these financial statements. These amendments are not expected to have a material impact on the Fund's financial statements.

- Amendments to IFRS 16 - Lease Obligations on a Sale and Leaseback Basis:

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how the Fund accounts for sale and leaseback transactions after the date of the transaction. Sale and leaseback transactions in which some or all of the lease payments are considered to be variable lease payments depend on the index or price that is highly likely to be affected.

- Amendments to IAS 1 - Non-current liabilities with commitments and classification of liabilities as current or non-current

These amendments clarify how the conditions that the Fund must comply with during the twelve months after the reporting period affect the classification of liabilities. These amendments also aim to improve the information provided by the Fund regarding the liabilities subject to these conditions.

- Amendments to IAS 7 and IFRS 7 - Supplier Financing Arrangements

These amendments require disclosures to enhance the transparency of a supplier's financing arrangements, their effects on the Fund's liabilities and cash flows, and its exposure to liquidity risk. The disclosure requirements are the IASB's response to investor concerns that some fund supplier financing arrangements are not sufficiently visible, hampering investor analysis.

- IFRS (Sustainability 1) "General requirements for the disclosure of financial information related to sustainability"

This standard includes the basic framework for disclosing material information about material risks and opportunities related to sustainability across an organization's value chain.

- IFRS (Sustainability 2) "Climate-related disclosures"

This is the first objective standard issued that sets requirements for entities to disclose information about climate-related risks and opportunities.

Cash and cash equivalents

Cash and cash equivalents includes bank balances, deposits held at call with banks with a maturity of three months.

Investment properties

Investment properties are land, buildings, or both or part of them held either to earn rental income or for capital appreciation, or both, but not for sale in the normal course of business or in use in the production, supply of goods, provision of services, or administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Investment properties are subsequently carried at cost, less accumulated depreciation and accumulated impairment losses, if any. This cost includes the cost of replacing parts of investment properties and borrowing costs related to long-term

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

construction projects, if the evidentiary criteria are met. When it is necessary to replace significant parts of investment properties in stages, the Fund recognizes such parts as separate assets with definite useful lives and depreciated accordingly. All repair and maintenance costs are recognized in profit or loss when incurred.

Investment properties are derecognized either when they are disposed of (i.e. when control is transferred to the receiving entity) or they are permanently withdrawn from use and no future economic benefits are expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period in which the derecognition is discontinued. The amount of consideration to be included in the profit or loss on derecognition of investment properties is determined in accordance with the requirements for determining the transaction price in IFRS 15 – “Revenue from Contracts with Customers”.

Transfers are made to (from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the assumed cost for subsequent accounting is the fair value at the date of change in use.

When owner-occupied properties become investment properties, the Fund accounts for such properties in accordance with the policies applicable to property, plant and equipment up to the date of the change in use.

The following are the estimated useful life for major fixed assets items

Item	Useful life
Buildings	40 years

Owned lands are not depreciated.

Impairment of non-financial assets

Assets subject to depreciation and amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount that exceeds the carrying amount of the asset over its recoverable amount. Recoverable amount is the fair value of the asset less costs to sell or value in use (whichever is higher). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash flows (cash-generating units). Prior impairment in non-financial assets (other than goodwill) are reviewed to reflect the potential impairment at each reporting date.

An impairment loss recognized in prior periods is evaluated at each reporting date to determine whether there are indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of depreciation or amortization, had the impairment loss not been recognized previously.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

loan to the extent that it is probable that some or all of the facility will be withdrawn. In this case, the fee is deferred until the withdrawn occurs.

To the extent that there is no evidence that it is probable that some or all of the facility will be withdrawn, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

IAS 23, "Borrowing Cost", requires any incremental transaction cost to be amortized using the Effective Interest Rate (EIR). The Fund accounts for finance cost (interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. Borrowing cost incurred for any qualifying assets are capitalized as part of the cost of the asset.

Accrued expenses and other credit liabilities

Liabilities are recognized for the amount to be paid in the future for services received, whether billed by the supplier or not.

Derivative financial instruments and hedge accounting

The Fund uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Interest rate swaps are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the accumulated gain or loss on the hedging instrument and the accumulated change in fair value of the hedged item.

Offsetting

Financial assets and liabilities are offset and net amounts are presented in the financial statements, when there is a legal enforceable right to offset the recognized amounts and intention to settle on a net basis, and to realize the asset and liability simultaneously.

Expenses

All expenses are classified as operating expenses unless another classification is consistent with the nature of the expense category and circumstances of the Fund.

Revenue recognition

Revenue includes rental income from investment properties.

The Fund recognizes the rent resulting from the lease contracts using the straight-line method. After inception of the lease contracts, the Fund recognizes variable lease payments that are not based on a specific index or rate (payments based on performance or usage, for example) when earned. When the Fund provides incentives to its tenants, the cost of incentives is recognized using the straight-line method as a reduction for rental income.

The contracts include a fixed price, and the customer pays this amount based on the payment schedule. If the services provided by the Fund exceed the amount paid, an accrued rental income is recognized, but if the payments exceed the provided service, an unearned rental income is recognized.

Revenue is measured at the transaction price agreed upon under the contract. The disclosed amounts appear as revenue after deducting the variable consideration and payments to customers, which are not for distinct

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

services. This consideration may include discounts, trade allowances, deductions and amounts collected on behalf of a third party.

Account receivables are recognized when services are delivered because this is the point in time at which the consideration is unconditional because the passage of time is only necessary before payment is due.

The fund recognizes revenue when a performance obligation is satisfied. The fund applies five step model given in IFRS 15 “Revenue from contract with customers” to determine when to recognize revenue which is as follows:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

Right of use asset

The Fund recognizes right of use assets at the inception date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the inception date less any lease incentives received, unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term. The recognized right of use assets are depreciated on a straight-line basis over its estimated useful life or the lease term, whichever is shorter. The estimated useful life of the right of use asset used by the Fund is 18 years.

Provisions and contingent liabilities

Provisions are recognized when the Fund has a present obligation (legal or contractual) as a result of past events, and it is probable that an outflow of resources involving economic benefits will be required to settle the obligation. In addition, a reliable estimate of the amount of the obligation can be made.

Lease liabilities

At the inception date of the lease, the Fund recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

Fund uses the internal cost of funds as the incremental borrowing rate at the lease inception date if the interest rate implicit in the lease is not readily determinable. After the inception date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduction of the lease payments presented. In addition, the carrying amount of lease liabilities is remeasured if there is an adjustment, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgment in determining the lease term of the contracts with the option to renewal

The Fund determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Finance costs

Finance cost is recognized in the statement of profit or loss and other comprehensive income for all specific commission-bearing financial instruments using the effective interest rate method.

Trade receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Dividends

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board of directors.

Value added tax

Revenues, expenses and assets are recognized after deducting value added tax (“VAT”) except:

- When the value added tax incurred when purchasing assets or services is not recoverable from the tax authority, in which case the value added tax is recognized as part of the cost of acquiring the asset or as part of the expense item as applicable.
- Receivables and payables mentioned showing the amount of VAT included.

The net amount of VAT that is recoverable from ZATCA or payable is included as part of accounts receivable or payable in the statement of financial position.

Zakat

According to the rules for Zakat levy from investors in investment funds, investment funds are not obligated to pay zakat. Instead, they are only required to submit an Information declaration on the calculation of the zakat base for the fund. Therefore, no provision is made for such liabilities in these financial statements.

Net equity per unit

The net equity per unit is calculated and disclosed in the financial position by dividing the net assets of the Fund attributable to unitholders by the number of issued units.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

Financial assets

A financial asset includes the followings:

- a) Cash and cash equivalents
- b) Equity instruments in another entity
- c) A contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another entity under conditions are potentially favorable to the entity.
- d) A contract that may or will be settled at entity's owned equity instruments.

Classification and initial recognition

The Fund classifies its financial assets in the following measuring categories:

- Financial assets measured at fair value (either through profit or loss, or through other comprehensive income), and
- Financial assets measured at amortized cost.

Classification depends on the business model of the Fund to manage financial assets, and on the contractual terms of cash flows.

For assets measured at fair value, gain and losses will either be recorded in profit and loss or other comprehensive income (OCI). For investment in debt instruments, this will depend on the business model in which investment is held. For investment in equity instruments, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity instruments at fair value through OCI. The Fund reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Fund measures its financial asset (not classified as part of fair value through profit or loss) at fair value, plus transaction costs that are directly attributable to the acquisition of the financial asset through other comprehensive income. However, in the case of financial assets classified as part of fair value through profit or loss, transaction costs are expensed in profit or loss.

Equity instruments

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present fair value gains or losses on equity investments in OCI, there is no subsequent reclassification of fair value gains or losses to profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Fund's right to receive payments is established. Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are treated separately within the net assets.

Changes in the fair value of financial assets measured at fair value are recognized at fair value through profit and loss in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Fund's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Fund classified its debt instruments:

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

• Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is measured at amortized cost and is not part of a hedging relationship is recognized in statement of profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

• Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, are measured at fair value through other comprehensive income (FVOCI). Movements in carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from OCI to retained earnings. Realized gain or loss are recognized in profit or loss.

• Fair value through statement of profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss. And is not part of a hedging relationship is recognized in profit or loss and presented net in profit or loss within other gains / (losses) in the year in which it arises. Interest income from these financial assets is included as financial interest in profits or losses.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment

The Fund assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

A financial liability is classified as follows:

- Contractual obligation to deliver cash or another financial asset to another entity.
- Contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable.
- A non-derivative contract for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments.

Recognition and measurement

All financial liabilities are recognized initially at fair value. Subsequently, it is measured at amortized cost using effective interest rate methods. The Fund's financial liabilities include accrued expenses and other credit balances, credit facilities, lease liabilities and due to related parties.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

Offsetting of financial instruments

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

Derecognition of financial assets

The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Fund has elected on initial recognition to measure at FVTPL, the gains or losses are recognized in profit or loss.

The Funds' financial liabilities are de-recognized only if relieved, cancelled or expired. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable, including any non-cash assets transferred or liabilities incurred, is recognized in profit or loss.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and price volatility risk. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Provision for expected credit losses on receivables against operating leases

The Fund uses a provision matrix to calculate ECLS of receivable from operating leases. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation rate and governmental spending) is expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector,

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecasted economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of the client's actual default in the future.

The useful lives of investment properties

The Fund Manager determines the useful lives of investment properties in order to calculate depreciation. This estimate is determined after considering expected usage of the assets, and physical wear and tear. The Fund Manager reviews the residual value and useful lives annually and makes the necessary changes in current and future periods.

Impairment of investment properties

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its net cost to sell or value in use. For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in profit or loss.

Impairment of right of use assets

The fund manager reviews the carrying values of the right-of-use asset to determine whether there is evidence of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized if the carrying value of a right-of-use asset exceeds its recoverable value, which represents the fair value of the right-to-use asset. A right-of-use asset that has been impaired is tested for possible impairment at each reporting date. An impairment loss is reversed only to the extent that allows the carrying value of the right-of-use asset to exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Impairment losses are recognized in the statement of profit and loss.

5. ACCOUNT RECEIVABLES

	<u>2023</u>	<u>2022</u>
Account receivables	57,869,810	57,960,481
Expected credit losses	(52,205,336)	(50,000,000)
	<u>5,664,474</u>	<u>7,960,481</u>

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	50,000,000	35,000,000
Charge for the year	2,205,336	15,000,000
	<u>52,205,336</u>	<u>50,000,000</u>

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

The aging analysis of account receivables is as follows:

	<u>2023</u>	2022
Up to 90 days	1,331,334	845,573
91 - 180 days	3,853,978	4,006,117
181 - 365 days	630,409	1,025,836
More than 365 days	52,054,089	52,082,955
	57,869,810	57,960,481

2023

	<u>Total</u>	<u>≤90 Days</u>	<u>91 – 180 Days</u>	<u>181 – 365 Days</u>	<u>>365 Days</u>
Book value	57,869,810	1,331,334	3,853,978	630,409	52,054,089
Loss ratio	90.21%	0%	0%	23.99%	100%
Impairment	52,205,336	-	-	151,247	52,054,089

2022

	<u>Total</u>	<u>≤90 Days</u>	<u>91 – 180 Days</u>	<u>181 – 365 Days</u>	<u>>365 Days</u>
Book value	57,960,481	845,573	4,006,117	1,025,836	52,082,955
Loss ratio	86.27%	0%	0%	0%	96.00%
Impairment	50,000,000	-	-	-	50,000,000

6. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	<u>2023</u>	2022
Prepaid insurance expense	365,910	64,217
Value add tax deposits	66,956	1,072,540
Prepaid property manager fees	-	300,001
Prepaid development cost of properties	-	234,277
Custody of development expenses	5,951,840	4,894,822
Other debit balances	30,000	280,000
	6,414,706	6,845,857

7. RELATED PARTIES TRANSACTIONS AND BALANCES

Transactions with related parties represent payments on behalf of a related party, administrative fees, management fees, custody fees and compensation to the Fund's Independent Board of Directors.

a) Due from a related party comprises the following:

Related party	Nature of relationship	Nature of transaction	Amount of transactions		Balance as at	
			for the year ended December 31,	December 31,	December 31,	December 31,
			2023	2022	2023	2022
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf Payments	20,703 (20,703)	14,303 (14,303)	18,781	18,781
					18,781	18,781

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

Alkhabeer Capital Company established Awal Al Malqa Real Estate Company as a limited liability Company (“a special purpose vehicle”) registered under Commercial Registration number 1010893802 on Shawwal 19, 1438 H (corresponding to July 13, 2017) for the purpose of keeping and registering investments properties related to real estate funds in the name of the Company. The Fund provided an amount of SR 20,000 as the Company's capital.

The title deed of real-estate was registered in the name of Awal Al-Malqa Real Estate Company. The Company confirmed that it owns these properties on behalf of the Fund. As the Fund is the beneficial owner of these real estate, they have been recorded in the Fund’s financial statements.

b) Due to related parties comprises the following:

Related party	Nature of relationship	Nature of transaction	Amount of transactions		Balance as at	
			for the year ended December 31, 2023	2022	December 31, 2023	2022
Alkhabeer Capital Company	Fund Manager	Finance restructuring expenses*	1,300,000	-		
		Management fees	8,998,722	9,000,081		
		Administration fees	299,957	300,003		
		Payments	(10,975,946)	(7,849,342)	6,230,966	6,608,233
Alinma Investment Company	Custodian	Custody fees	492,636	490,604		
		Payments	(447,180)	(346,622)	634,466	589,010
Fund Board of Directors	Board of Directors	Compensations to Independent Fund Board Members	34,000	42,000		
		Payments	(55,000)	(42,000)	21,000	42,000
Units holder	Units holder	Written off receivable balance against dividends	4,394,250	6,975,000	-	-
					6,886,432	7,239,243

* According to fund terms and conditions, the Fund manager is entitled to financing restructuring fee 1.5% of the financing amount. On 26 December 2023, an agreement was signed to amend and restructure the credit facilities where by the repayment period was extended for an additional 6 years due on 7 September 2031, with financing structuring fee amounted to SR 11 million. After getting the approval of the Fund's Board of Directors, they decided to settle for SR 1.3 million.

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

8. LEASES

a) Right of use asset

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

	2023	2022
Cost:		
Balance at the beginning of the year	179,781,490	178,665,735
Additions during the year	1,475,919	1,115,755
Balance at the end of the year	181,257,409	179,781,490
Accumulated depreciation:		
Balance at the beginning of the year	38,305,845	28,474,632
Charge for the year	9,920,395	9,831,213
Balance at the end of the year	48,226,240	38,305,845
Balance as at December 31	133,031,169	141,475,645

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

Property Name	Property Type	Valuation Method	Property Location	Discount rate as at December 31,		Fair Value as at December 31,	
				2023	2022	2023	2022
Gallery		Income					
Mall	Commercial	approach	Tabuk	11.05% - 11.32%	11% - 11.55%	150,345,000	171,925,000

The valuations of right of use asset was carried out by two real estate valuers which are valuers accredited by Saudi Authority for accredited values (TAQEEM).

The Fund appointed two independent valuers for the valuation of right of use asset and are listed as follows:

	Accredited valuer	License Number
Whites cubes for Professional Consulting	Essam Al Husaini	1210000474
Advanced Abaad and Partner Company for Real Estate Valuation	Ammar Sindi	1210000219

b) Lease liability

The movement in lease liability is as follows:

	2023	2022
Balance at the beginning of the year	15,621,118	16,379,505
Paid during the year	(1,579,000)	(1,579,000)
Interest charge during the year	782,618	820,613
Total lease liability at the end of the year	14,824,736	15,621,118
Lease liability is as follows:		
	2023	2022
Current portion	1,082,497	1,055,825
Non-current portion	13,742,239	14,565,293
Total lease liability	14,824,736	15,621,118

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

The weighted average incremental borrowing rate applied to lease liabilities was 5.01% (2022: 5.01%). The total finance cost on lease liabilities for the year ended December 31, 2023 amounted to SR 782,618 and for the year ended December 31, 2022 amounted to SR 820,613.

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

9. INVESTMENT PROPERTIES

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

	<u>2023</u>	<u>2022</u>
Residential and commercial properties and land	1,858,045,000	1,858,045,000
Development costs	6,746,045	4,978,145
Accumulated depreciation	(126,895,269)	(93,275,760)
Accumulated impairment	(49,556,737)	(66,208,772)
	<u>1,688,339,039</u>	<u>1,703,538,613</u>

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

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	66,208,772	106,462,993
Reversal of impairment	(16,652,035)	(40,254,221)
	<u>49,556,737</u>	<u>66,208,772</u>

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

<u>2023:</u>	<u>Lands*</u>	<u>Residential and commercial properties*</u>	<u>Total</u>
<u>Cost:</u>			
Balance at January 1, 2023	519,975,542	1,343,047,603	1,863,023,145
Additions during the year	-	1,767,900	1,767,900
Balance at December 31, 2023	<u>519,975,542</u>	<u>1,344,815,503</u>	<u>1,864,791,045</u>
<u>Accumulated depreciation:</u>			
Balance at January 1, 2023	-	93,275,760	93,275,760
Charge for the year	-	33,619,509	33,619,509
Balance at December 31, 2023	<u>-</u>	<u>126,895,269</u>	<u>126,895,269</u>
Net book value as at December 31, 2023	<u>519,975,542</u>	<u>1,217,920,234</u>	<u>1,737,895,776</u>
Impairment			(49,556,737)
Balance at December 31, 2023			<u>1,688,339,039</u>

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

<u>2022:</u>	<u>Lands*</u>	<u>Residential and commercial properties*</u>	<u>Total</u>
<u>Cost:</u>			
Balance at January 1, 2022	519,975,542	1,341,682,138	1,861,657,680
Additions during the year	-	1,365,465	1,365,465
Balance at December 31, 2022	519,975,542	1,343,047,603	1,863,023,145
<u>Accumulated depreciation:</u>			
Balance at January 1, 2022	-	59,699,570	59,699,570
Charge for the year	-	33,576,190	33,576,190
Balance at December 31, 2022	-	93,275,760	93,275,760
Net book value as at December 31, 2022	519,975,542	1,249,771,843	1,769,747,385
Impairment			<u>(66,208,772)</u>
Balance at December 31, 2022			<u>1,703,538,613</u>

* The residential and commercial properties and lands are mortgaged with a local bank under a credit facility agreement amounted to SR 1,864,791,045 (2022: amounted to SR 1,863,023,145) (Note 10) except for Akun warehouses.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(Expressed in Saudi Riyal)

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

December 31, 2023

Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	Retail	Riyadh	79,950,000	(2,993,750)	(11,577,250)	65,379,000	65,379,000
Palazzo Center	Retail	Riyadh	95,632,500	(5,904,062)	(20,908,438)	68,820,000	68,820,000
Al-Malqa Complex	Residential	Riyadh	320,746,045	(32,749,141)	(1,841,904)	286,155,000	286,155,000
Elite Center	Multiple use	Jeddah	164,000,000	(13,255,733)	-	150,744,267	157,215,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,880,717)	(3,749,283)	66,120,000	66,120,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(7,279,520)	-	84,970,480	90,145,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(15,096,500)	-	200,153,500	208,432,000
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(3,331,333)	-	63,293,667	80,865,000
Elegance Tower	Offices	Riyadh	424,350,000	(27,531,875)	-	396,818,125	489,225,000
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(5,869,324)	(4,985,676)	96,645,000	96,645,000
Akun warehouses	Logistics	Jeddah	226,737,500	(11,003,314)	(6,494,186)	209,240,000	209,240,000
			1,864,791,045	(126,895,269)	(49,556,737)	1,688,339,039	1,818,241,000

*Movement in impairment during the year is as follows:

December 31, 2023

Property name	Accumulated impairment at the beginning of the year	Reversal impairment / (Impairment) for the year	Accumulated impairment at the end of the year
B&Q Retail Company (formerly known as Homeworks Center)	(13,771,000)	2,193,750	(11,577,250)
Palazzo Center	(21,069,250)	160,812	(20,908,438)
Al-Malqa Complex	(9,527,804)	7,685,900	(1,841,904)
Ahlan Court Center	(3,071,802)	(677,481)	(3,749,283)
Vision Educational Colleges - Jeddah	(8,978,405)	3,992,729	(4,985,676)
Akun warehouses	(9,790,511)	3,296,325	(6,494,186)
	(66,208,772)	16,652,035	(49,556,737)

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

December 31, 2022

Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
B&Q Retail Company (formerly known as Homeworks Center)	Retail	Riyadh	79,950,000	(2,395,000)	(13,771,000)	63,784,000	63,784,000
Palazzo Center	Retail	Riyadh	95,632,500	(4,723,250)	(21,069,250)	69,840,000	69,840,000
Al-Malqa Complex	Residential	Riyadh	318,978,145	(26,005,341)	(9,527,804)	283,445,000	283,445,000
Elite Center	Multiple use	Jeddah	164,000,000	(10,559,652)	-	153,440,348	153,915,000
Ahlan Court Center	Retail	Jeddah	71,750,000	(1,498,198)	(3,071,802)	67,180,000	67,180,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(5,798,940)	-	86,451,060	89,165,000
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(10,567,550)	-	204,682,450	207,165,000
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(2,331,933)	-	64,293,067	75,980,000
Elegance Tower	Offices	Riyadh	424,350,000	(19,272,312)	-	405,077,688	475,050,000
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(3,521,595)	(8,978,405)	95,000,000	95,000,000
Akun warehouses	Logistics	Jeddah	226,737,500	(6,601,989)	(9,790,511)	210,345,000	210,345,000
			1,863,023,145	(93,275,760)	(66,208,772)	1,703,538,613	1,790,869,000

*Movement on impairment during the year is as follows:

December 31, 2022

Property name	Accumulated impairment at the beginning of the year	Reversal impairment / (Impairment) for the year	Accumulated impairment at the end of the year
B&Q Retail Company (formerly known as Homeworks Center)	(15,559,750)	1,788,750	(13,771,000)
Palazzo Center	(22,925,061)	1,855,811	(21,069,250)
Al-Malqa Complex	(38,457,819)	28,930,015	(9,527,804)
Elite Center	(7,516,431)	7,516,431	-
Ahlan Court Center	(5,769,320)	2,697,518	(3,071,802)
Bin 2 Center	(1,716,640)	1,716,640	-
Vision Educational Colleges - Jeddah	(8,326,135)	(652,270)	(8,978,405)
Akun warehouses	(6,191,837)	(3,598,674)	(9,790,511)
	(106,462,993)	40,254,221	(66,208,772)

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

The following are the major assumptions used in determining the fair value of investment properties as at December 31, 2023:

Property Name	Valuation Method	Discount Rate
B&Q Retail Company (formerly known as Homeworks Center)	Income approach	9.8% - 8.02%
Palazzo Center	Income approach	10.8% - 8.5%
Al-Malqa Complex	Income approach	10.55% - 7.5%
Elite Center	Income approach	12% - 9.5%
Ahlan Court Center	Income approach	12.8% - 8.5%
Bin 2 Center	Income approach	12.3% - 10%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	9.5% - 7.5%
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Income and cost approach	9.1%
Elegance Tower	Income approach	9.8% - 8.5%
Vision Educational Colleges - Jeddah	Income approach	9% - 7.5%
Akun warehouses	Income approach	9% - 7.25%

The valuations of the investment properties were carried out by two real estate valuers which are valuers accredited by Saudi Authority for accredited values (TAQEEM).

The Fund appointed two independent valuers for the valuation of their investment properties and are listed as follows:

	Accredited valuer	License Number
Whites cubes for Professional Consulting	Essam Al Husaini	1210000474
Advanced Abaad and Partner Company for Real Estate Valuation	Ammar Sindi	1210000219

IMPACT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES AND RIGHT OF USE ASSET AT FAIR VALUE

In accordance with article 35 of the Real Estate Investment Funds Regulations issued by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia, the Fund manager estimates the fair value of the funds real estates based on two valuations prepared by independent valuers. However, in accordance with IFRS, investment properties and right of use assets are carried at cost less depreciation and impairment, and for the purpose of disclosing information, the fair value has been disclosed below:

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

	2023	2022
Cost of investment properties and right of use asset	2,046,048,454	2,042,804,635
Accumulated depreciation	(175,121,509)	(131,581,605)
Investment properties and right of use asset value	1,870,926,945	1,911,223,030
Net reversal impairment	97,659,055	51,570,970
Fair value of investment properties and right of use asset	1,968,586,000	1,962,794,000

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

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

	<u>2023</u>	<u>2022</u>
Equity attributable to unitholders	1,045,608,726	1,069,697,376
Unrealized gains arising from revaluation	147,215,792	117,779,742
Net asset at fair value	1,192,824,518	1,187,477,118

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

	<u>2023</u>	<u>2022</u>
Equity per unit (SR per unit)	7.4152	7.5860
Unrealized gains arising from revaluation per unit (SR per unit)	1.0440	0.8353
Net equity per unit - at fair value (SR per unit)	8.4592	8.4213

10. CREDIT FACILITIES

On January 8, 2019, a credit facility agreement was signed between the Fund and a local bank to obtain bank financing amounted to SR 737.5 million as of December 31, 2023 (as of December 31, 2022: SR 737.5 million). These facilities were obtained primarily under a financing agreement for the Fund. The facilities agreement is guaranteed by rent collections, and the residential and commercial properties and lands are mortgaged to the bank. The facilities are charged with financing interest according to the rates prevailing in the Saudi interbank internal lending market (six-month SIBOR rate + 2.25% - 2.50% annually). Payment is due after 5 years from the beginning of the facility. . On December 26, 2023, an agreement was signed to amend and restructure the credit facilities, whereby the repayment period was extended for an additional period of 6 years due on September 7, 2031, and the financing interest was amended to become (six-month SIBOR rate + 1.65%), and an additional clause regarding overdraft draw was added amounted to SR 30 million out of SR 1 billion.

11. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	<u>2023</u>	<u>2022</u>
Unearned rental income	23,854,758	19,561,692
Accrued dividends	14,805,929	-
Accrued interest on credit facilities	9,830,274	11,758,930
Accrued properties management fees	1,176,083	524,303
Finance restructuring expense	1,000,000	-
Accrued finance cost	496,503	523,182
Accrued professional and consulting fees	256,000	354,000
Refundable rent deposit	-	16,098,018
Refundable security deposit	-	343,700
Retention payable	-	267,732
Other credit balances	4,340,397	3,777,042
	55,759,944	53,208,599

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

12. RENTAL INCOME

Revenue includes rental income from investment properties.

The Fund recognizes the rent resulting from the lease contracts using the straight-line method. After inception of the lease contracts, the Fund recognizes variable lease payments that are not based on a specific index or rate (payments based on performance or usage, for example) when earned. When the Fund provides incentives to its tenants, the cost of incentives is recognized using the straight-line method as a reduction for rental income.

The contracts include a fixed price, and the customer pays this amount based on the payment schedule. If the services provided by the Fund exceed the amount paid, an accrued rental income is recognized, but if the payments exceed the provided service, an unearned rental income is recognized.

13. OTHER EXPENSES

	FOR THE YEAR ENDED DECEMBER 31,	
	2023	2022
Utilities expenses	2,304,630	1,356,500
Finance restructuring expense	2,300,000	-
Properties insurance expense	802,621	630,667
Initial registration and listing fees	693,108	707,500
Consulting and legal fees	486,829	390,557
Investment properties valuation fees	299,925	159,500
Other expenses	304,581	311,101
	7,191,694	3,555,825

14. ADMINISTRATIVE FEES AND OTHER EXPENSES

The Fund is managed by the Fund manager, and management fees and costs are calculated per the terms and conditions of the Fund as follows:

a) Administrative fees

The Fund's administrator is entitled to receive fees equivalent to 0.025% annually (as stated in the Fund's terms and conditions) of the net asset value, which are calculated and accrued on every valuation day.

b) Management fees

The Fund Manager is entitled to receive fees equivalent to 9% annually (as stated in the terms and conditions of the Fund) of net rental proceeds or 0.75% of net asset value according to the last valuation of the Fund - whichever is less - on a quarterly basis.

c) Custody fees

The Custodian is entitled to receive fees equivalent to 0.025% annually (as indicated in the terms and conditions of the Fund) of the total assets, or a minimum of SR 200,000 per year with a one-time fee of SR 50,000 calculated and accrued on every valuation day.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

d) Subscription fees

Subscription fees are exempted during the initial offering period of the Fund. The Fund Manager is entitled to receive a subscription fee of 2% of the paid and allocated subscription amounts in the event of any future proposals to increase the Fund's capital, and these subscription fees are deducted upon receipt of the subscription amount and paid to the Fund Manager, in addition to the subscription amount.

e) Capital structuring fees

The Fund Manager is entitled to obtain capital structuring fees by an amount of 1.5% of the total subscription amounts (cash and in kind) that were collected during the initial offering period or upon the collection of any other future subscription amounts, whether in cash or in kind.

f) Finance structuring fees

The Fund Manager is entitled to obtain a finance structuring fees by an amount of 1.5% of the withdrawn financing amount from the total amount of bank facilities compliant with the Sharia Authority controls that were obtained by the Fund or any of its affiliates.

g) Properties management fees

The Fund is entitled to all the fees related to operating, managing, maintaining and insuring all real estate owned by the Fund so that the fees are paid from the Fund's assets.

15. ZAKAT BASE

According to the rules for zakat levy from investors in investment funds, investment funds are not obligated to pay zakat, only to provide information declaration and calculating the fund's zakat base is submitted. This was implemented at the beginning of 2023, therefore no comparative figures are presented. The zakat base is presented as follows:

	<u>2023</u>
<u>Adjustment on net adjusted profit:</u>	
Profit as per book for the year	35,135,066
Charge to provision for expected credit losses	<u>2,205,336</u>
Adjusted profit for the year	<u>37,340,402</u>
<u>Zakat base:</u>	
Equity attributable to unitholders	1,045,608,726
Opening balance provision	50,000,000
Long-term loans	752,324,736
Accrued dividends	14,805,292
The difference between adjusted profit and profit as per book	2,205,336
Additions and other liabilities	19,561,692
Book value of non-current assets based on authority	<u>(1,821,370,208)</u>
Zakat base	<u>63,135,574</u>
Fund's zakat base is the largest between zakat base and adjusted profit	<u>63,135,574</u>
The value of zakat according to the fund's zakat base	<u>1,627,433</u>
Outstanding units	<u>141,008,848</u>
The value for zakat per unit	<u>0.0115</u>

ALKHABEER REIT FUND
(Managed by Alkhabeer Capital Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(Expressed in Saudi Riyal)

16. SHARIA COMPLIANCE

The Fund operates in accordance with the provisions of Sharia law, as determined by the Sharia advisor. The Sharia advisor has reviewed the Fund's public offering document and confirmed that it is in compliance with Sharia provisions.

17. DIVIDENDS

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

Approval Date	The period paid for	Amount per Unit	Total
2023			
January 31, 2023	October 1, 2022 to December 31, 2022	0.105	14,805,929
April 30, 2023	January 1, 2023 to March 31, 2023	0.105	14,805,929
July 30, 2023	April 1, 2023 to June 30, 2023	0.105	14,805,929
October 31, 2023	July 1, 2023 to September 30, 2023	0.105	14,805,929
			<u>59,223,716</u>
2022			
January 31, 2022	October 1, 2021 to December 31, 2021	0.125	17,626,106
May 8, 2022	January 1, 2022 to March 31, 2022	0.125	17,626,106
July 31, 2022	April 1, 2022 to June 30, 2022	0.125	17,626,106
October 31, 2022	July 1, 2022 to September 30, 2022	0.125	17,626,106
			<u>70,504,424</u>

18. COMMITMENTS AND CONTINGENCIES

On November 19, 2019, the Fund entered into a profit rate swap contract with a nominal value of SR 340 million in order to fix the facility profit margin at a fixed rate of 4.69%. The contract went into effect on January 31, 2020. The purpose of the contract is to manage the cash flow risk of the Fund, which results in profit rate.

On July 27, 2021, a "Sharia Compliant Hedging Agreement" was executed with Al-Rajhi Bank to fix the profit margin of the facilities used in the first additional offering for the amount of SR 397.5 million at a fixed rate of 4.44%. The purpose of the hedging facility is to protect the Fund from rate fluctuations during the remaining tenor of this facility, starting from September 1, 2021 until September 7, 2025.

The gain or loss in the fair value from hedging agreements is recognized in the statement of profit or loss to compensate for the increase in interest expense on the loan, and is offset against the interest expense on the loan within financing costs.

19. LAST VALUATION DATE

The last date for valuation during the year is December 31, 2023.

20. RISK MANAGEMENT

The Fund's activities expose it to various financial risks, and these risks include: market risk (including currency risk, fair value risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial market conditions and seeks to minimize potential adverse effects on the Fund's financial performance.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

a) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's transactions are mostly in Saudi Riyal.

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk are the exposures to various risks related to the effect of fluctuations in market interest rates on the financial position and cash flows of the Fund, and the Fund entered into hedging and interest rate swap agreements to mitigate these risks (Note 18).

Price risk

Price risk is the risk that the fair value or a financial instrument will fluctuate because of changes in market prices. Whether these fluctuations were a result of variable factors of the instrument or its source or any other factors affecting all instrument in the market. The Fund is not subject to price risk.

b) Credit risk

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

A provision for credit losses is maintained and sufficient at the management's discretion to cover potential losses of arrears receivables. At the date of each financial statement, bank balances are assessed as to whether they involve low credit risks as they are held by reputable financial institutions with a high local bank credit rating, and there is no stumbling date for any of the bank balances. Therefore, the likelihood of faltering is based on future factors and little loss resulting from faltering. As at the date of the report, there are no due dates for payment.

The required by a related party and other debit balances are not guaranteed, without return and has no fixed payments. There are no balances receivable from the relevant parties. As of the date of the report, it was overdue, taking into account the historical experience of stumbling and the future of the industries in which the related parties involved operate. The management considers that the related parties balances are not impaired.

When calculating the provision for expected credit loss to account receivable and due to a related party, the provisions matrix is used based on historical loss rates over the life expectancy of adjusted receivables for future estimates.

The Fund's maximum undisclosed exposure to credit risks for the components of the financial position and expected credit loss involved are as follows:

	Note	2023	2022
Cash at banks		27,111,669	23,426,959
Account receivable	5	5,664,474	7,960,481
Custody of development expenses and other debit balances	6	5,981,840	5,174,822
Due to a related party	7-a	18,781	18,781

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments. As at December 31, 2023, current liabilities exceeded current assets by SR 24,519,243 (as of December 31, 2022: SR 23,251,589). and as of that date, unearned rental income and due to related parties (components of current liabilities) and amounted to SR 30,741,190 (as of December 31, 2022: SR 26,800,935). and, therefore, and Fund does not have a significant deficit in working capital.

<u>December 31, 2023</u>	<u>Book value</u>	<u>Less than one year</u>	<u>More than one year</u>
<u>Non-derivative financial liabilities</u>			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	6,886,432	6,886,432	-
Lease liabilities	14,824,736	1,082,497	13,742,239
Accrued expenses and other credit balances	55,759,944	55,759,944	-
	<u>814,971,112</u>	<u>63,728,873</u>	<u>751,242,239</u>

<u>December 31, 2022</u>	<u>Book value</u>	<u>Less than one year</u>	<u>More than one year</u>
<u>Non-derivative financial liabilities</u>			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	7,239,243	7,239,243	-
Lease liabilities	15,621,118	1,055,825	14,565,293
Accrued expenses and other credit balances	53,208,599	53,208,599	-
	<u>813,568,960</u>	<u>61,503,667</u>	<u>752,065,293</u>

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as stated on basis of preparation of financial statement – fair value measurement note (3).

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

22. OPERATING SEGMENTS

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in Saudi Riyal)

23. SUBSEQUENT EVENTS

- On January 31, 2024, the Fund Board of Directors approved the distribution of dividends amounted SR 0.105 per unit for the period from October 1, 2023 to December 31, 2023 with total of SR 14,805,929 million to unitholders.

The Fund Manager announced for Fund's Board of Directors' approval on February 23, 2024 to accept the offer to purchase one of the Fund's real estate ("the deal"), provided that the necessary real estate evaluations are conducted before proceeding with the implementation of the deal, in accordance with the requirements of the special terms and conditions of the Fund.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Fund Board of Directors for the year ended December 31, 2023 on Ramadan 10, 1445H (March 20, 2024).

Alkhabeer Capital
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