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ALKHABEER REIT FUND - Expressed in Saudi Riyal

(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND THE INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

ALKHABEER REIT FUND - Expressed in Saudi Riyal
(Managed by Alkhabeer Capital Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND THE INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

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Independent Auditor's Review Report on the Interim Condensed Financial Statements

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

Introduction

We have reviewed the interim condensed statement of financial position of **Alkhabeer Reit Fund (a real estate investment traded fund) ("The Fund")** managed by **Alkhabeer Capital Company ("The Fund Manager")** as of June 30, 2024, and interim condensed financial statements of profit or loss and other comprehensive income, changes in equity attributable to unitholders and cash flows for the six-month period then ended, and other explanatory notes. The Fund manager is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Accounting Standard No. (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Fund" that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ('ISAs'), that are endorsed in the Kingdom of Saudi Arabia and accordingly, there can be no assurance that we will become aware of all significant matters that may be identified during any audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the International Accounting Standard No. (34) as endorsed in the Kingdom of Saudi Arabia.



Crowe Solutions for Professional Consulting



Abdullah M. AlAzem
License No. 335

2 Safar 1446H (August 6, 2024)
Jeddah, Kingdom of Saudi Arabia

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**AS AT JUNE 30, 2024**

(Expressed in Saudi Riyal)

		As at June 30, 2024	As at December 31, 2023
	Note	(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash at banks		99,497,556	27,111,669
Accounts receivable		9,922,808	5,664,474
Prepaid expenses and other debit balances		489,065	6,414,706
Due from a related party	5 - a	18,781	18,781
Total current assets		109,928,210	39,209,630
Non-current assets			
Right of use asset	6 - a	134,019,684	133,031,169
Investment properties	7	1,619,805,021	1,688,339,039
Total non-current assets		1,753,824,705	1,821,370,208
Total assets		1,863,752,915	1,860,579,838
LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS			
Current liabilities			
Due to related parties	5 - b	5,628,121	6,886,432
Lease liabilities – current portion	6 - b	1,330,748	1,082,497
Accrued expenses and other credit balances		43,083,361	55,759,944
Total current liabilities		50,042,230	63,728,873
Non-current liabilities			
Lease liabilities – non-current portion	6 - b	12,659,742	13,742,239
Credit facilities	10	737,500,000	737,500,000
Total non-current liabilities		750,159,742	751,242,239
Total liabilities		800,201,972	814,971,112
EQUITY ATTRIBUTABLE TO UNITHOLDERS		1,063,550,943	1,045,608,726
Total liabilities and equity attributable to unitholders		1,863,752,915	1,860,579,838
Number of units issued (unit)		141,008,848	141,008,848
Equity per unit – book value	7 - c	7.5424	7.4152
Equity per unit – fair value	7 - c	8.6917	8.4592

The accompanying notes from (1) to (17) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME****FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	Note	2024 (Unaudited)	2023 (Unaudited)
Rental revenues		66,249,561	61,724,476
Expenses			
Properties / Facilities management fees		(5,438,990)	(5,961,814)
Administration and custody fees	5 - b	(391,160)	(393,516)
Management fees	5 - b	(4,589,494)	(4,218,739)
Other expenses		(1,930,430)	(2,655,220)
Total expenses		(12,350,074)	(13,229,289)
Finance costs		(20,279,096)	(16,273,669)
Depreciation of investment properties and right of use asset	6 & 7	(21,644,507)	(21,763,753)
Reversal of impairment of investment properties	7 - b	13,355,801	6,729,426
Gains from the sale investment properties		22,222,390	-
Profit for the period		47,554,075	17,187,191
Other comprehensive income		-	-
Total comprehensive income for the period		47,554,075	17,187,191

The accompanying notes from (1) to (17) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

		FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
		2024	2023
	Note	(Unaudited)	(Unaudited)
Equity attributable to unitholders			
Equity attributable to unitholders at the beginning of the period		1,045,608,726	1,069,697,376
Dividends	9	(29,611,858)	(29,611,858)
Comprehensive income for the period		47,554,075	17,187,191
Equity attributable to unitholders at the end of the period		<u>1,063,550,943</u>	<u>1,057,272,709</u>

Transactions in units for the period are summarized as follows:

Number of units at the beginning of the period	141,008,848	141,008,848
Number of units at the end of the period	<u>141,008,848</u>	<u>141,008,848</u>

*No units were issued or disposed during the periods ended June 30, 2024 and June 30, 2023.

The accompanying notes from (1) to (17) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

	FOR THE SIX-MONTH PERIOD ENDED JUNE 30,	
	2024	2023
	(Unaudited)	(Unaudited)
<u>CASH FLOW FROM OPERATING ACTIVITIES:</u>		
Profit for the period	47,554,075	17,187,191
Adjustments:		
Depreciation of investment properties and right of use asset	21,644,507	21,763,753
Reversal of impairment of investment properties	(13,355,801)	(6,729,426)
Interest charged on lease liabilities (included in finance cost)	744,754	259,443
Gains from sale of investment properties	(22,222,390)	-
Finance cost	19,534,342	16,014,226
Changes in operating assets and liabilities:		
Account receivables	(7,187,834)	(8,539,375)
Proceeds from sale of investment properties	87,601,390	-
Prepaid expenses and other debit balances	(26,198)	884,519
Due to related parties	(1,258,311)	4,583,255
Accrued expenses and other credit balances	(27,671,471)	(11,356,094)
Net cash provided by operating activities	105,357,063	34,067,492
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions to investment properties	-	(1,697,602)
Additions to right of use asset	(170,364)	(1,055,510)
Net cash used in investing activities	(170,364)	(2,753,112)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	(26,682,358)	(13,341,179)
Lease payments	(1,579,000)	(1,579,000)
Finance cost paid	(4,539,454)	(16,014,226)
Net cash used in financing activities	(32,800,812)	(30,934,405)
Net change in cash at banks	72,385,887	379,975
Cash at banks at the beginning of the period	27,111,669	23,426,959
Cash at banks at the end of the period	99,497,556	23,806,934
<u>Non-cash items:</u>		
Written off receivables balance against dividends to unitholders	2,929,500	1,464,750
Transferred from other debit balances to right of use asset additions	(5,951,839)	-

The accompanying notes from (1) to (17) form an integral part of these interim condensed financial statements.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(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. Concerning cash dividends, except for capital gains resulting from the sale of assets owned by the Fund, the Fund may reinvest any capital gains resulting from the sale of assets owned by the Fund through the acquisition of additional real estate assets.

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 INTERIM CONDENSED FINANCIAL STATEMENTS

Basis of compliance

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard (34) "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the provisions specified by the fund regulations issued by the CMA, the terms and conditions of the fund and the information memorandum considering that the financial performance for the interim condensed financial for the six-month period ended in June 30, 2024, may not necessarily be indicative of the expected results for the year that will be ended on December 31, 2024.

The interim condensed financial statements do not include all of the information and disclosures required for the annual financial statements, and should be read in conjunction with the Fund's annual financial statements for the year ended December 31, 2023.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

The International Accounting Standard (34) states that the objective of preparing the interim condensed financial statements is to update on the annual financial statements. Therefore, the International Accounting Standard (34) require less disclosure in the interim condensed financial statements to be reported compared to the disclosure required by the International Financial Reporting Standards ("IFRS") in the annual financial statements.

Basis of measurement

These interim condensed 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 interim condensed financial statements are presented in Saudi Riyal, which is the Fund's functional and presentation currency.

Fair value measurement

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

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

Assets or liabilities measured at fair value

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

No new standards have been issued. However, there are a number of amendments to existing standards effective from January 1, 2024, but these do not have a material impact on the interim condensed financial statements. The accounting policies used in preparing the condensed interim financial statements are consistent with those used in preparing the Fund's annual financial statements for the year ended on December 31, 2023.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

5. 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 Board of Directors.

a) Due from a related party comprises the following:

Related party	Nature of relationship	Nature of transaction	Amount of transactions		Balance	
			For the six-month period ended June 30,		As at June	As at December
			2024	2023	30, 2024	31, 2023
			(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf of Payments	1,665 (1,665)	10,453 (10,453)	18,781	18,781
					18,781	18,781

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

The title deeds of real estate were 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 condensed interim financial statements.

b) Due to related parties comprises the following:

Related parties	Nature of relationship	Nature of transaction	Amount of transactions		Balance	
			For the six-month period ended June 30,		As at June	As at December
			2024	2023	30, 2024	31, 2023
			(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Alkhabeer Capital Company	Fund Manager	Management fees Administration fees Payments	4,589,494 152,983 (6,230,965)	4,218,739 148,976 -	4,742,478	6,230,966
Alinma Investment Company	Custodian	Custody Fees	238,177	244,540	872,643	634,466
Fund's Board of Directors	Board of Directors	Compensations to Fund Board Members Payments	13,000 (21,000)	13,000 (42,000)	13,000	21,000
Units holder	Units holder	Written off receivable balance against dividends	2,929,500	1,464,750	-	-
					5,628,121	6,886,432

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

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

6. LEASES**a) Right of use asset**

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
<u>Cost:</u>		
Balance at the beginning of the period / year	181,257,409	179,781,490
Additions during the period / year	170,364	1,475,919
Transferred during the period / year	5,951,839	-
Balance at the end of the period / year	187,379,612	181,257,409
<u>Accumulated depreciation:</u>		
Balance at the beginning of the period / year	48,226,240	38,305,845
Charge during the period / year	5,133,688	9,920,395
Balance at the end of the period / year	53,359,928	48,226,240
Balance as at the end of the period / year	134,019,684	133,031,169

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		Fair Value as at	
				June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)

Gallery

Mall	Commercial	Income	Tabuk	11.32% - 11.05%	11.05% - 11.32%	137,816,000	150,345,000
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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
Esnad Real Estate Valuation Company	Almuhannad Alhussami	1210000934
Twenty-First Century and Partner Company for Real Estate Valuation	Alwaleed Alzoman	1210000038

b) Lease liabilities

The movement in lease liabilities is as follows:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Balance at the beginning of the period / year	14,824,736	15,621,118
Paid during the period / year	(1,579,000)	(1,579,000)
Interest charged during the period / year	744,754	782,618
Total lease liabilities at the end of the period / year	13,990,490	14,824,736

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

Lease liability is as follows:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Current portion	1,330,748	1,082,497
Non-current portion	12,659,742	13,742,239
Total lease liability	13,990,490	14,824,736

The weighted average incremental borrowing rate applied to lease liabilities for the six-month period ended June 30, 2024, and for the year ended December 31, 2023 was 5.01%. And the total finance cost on lease liabilities for the six-month period ended June 30, 2024 amounted to SR 744,754 against the year ended December 31, 2023 amounted to SR 782,618.

Right of use asset represents a lease obligation of the Gallery Mall under a lease contract and most of the contract value was paid in advance over the duration of the contract.

7. INVESTMENT PROPERTIES

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Residential and commercial properties and land	1,778,095,000	1,858,045,000
Development costs	6,746,045	6,746,045
Accumulated depreciation	(140,412,338)	(126,895,269)
Accumulated impairment	(24,623,686)	(49,556,737)
	1,619,805,021	1,688,339,039

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Balance at the beginning of the period / year	49,556,737	66,208,772
Reversal of impairment during the period / year	(13,355,801)	(16,652,035)
Disposals during the period / year	(11,577,250)	-
	24,623,686	49,556,737

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

c) The details of the movement in investment properties related to the fund are as follows:

	Residential and commercial properties		
<u>June 30, 2024 (Unaudited):</u>	Lands		Total
<u>Cost:</u>			
Balance at January 1, 2024	519,975,542	1,344,815,503	1,864,791,045
Disposals during the period	(56,000,000)	(23,950,000)	(79,950,000)
Balance as at June 30, 2024	463,975,542	1,320,865,503	1,784,841,045
<u>Accumulated depreciation:</u>			
Balance at January 1, 2024	-	126,895,269	126,895,269
Charged for the period	-	16,510,819	16,510,819
Disposals during the period	-	(2,993,750)	(2,993,750)
Balance as at June 30, 2024	-	140,412,338	140,412,338
Net book value as at June 30, 2024	463,975,542	1,180,453,165	1,644,428,707
Impairment			(24,623,686)
Balance as at June 30, 2024 (Unaudited)			1,619,805,021

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

The residential and commercial properties and lands are mortgaged with a local bank under a credit facility agreement except for Akun warehouses (Note 7-d).

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

d) The details of investment properties are as follows:

June 30, 2024 (Unaudited)

Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Impairment	Net book value	Fair value
Palazzo Center	Retail	Riyadh	95,632,500	(6,494,469)	(19,465,131)	69,672,900	69,672,900
Al-Malqa Complex	Residential	Riyadh	320,746,045	(36,121,476)	-	284,624,569	296,427,500
Elite Center	Multiple use	Jeddah	164,000,000	(14,603,773)	-	149,396,227	158,763,500
Ahlan Court Center	Retail	Jeddah	71,750,000	(2,071,977)	(406,024)	69,271,999	69,272,000
Bin 2 Center	Multiple use	Jeddah	92,250,000	(8,019,810)	-	84,230,190	96,182,500
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(17,360,975)	-	197,889,025	210,005,300
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(3,831,033)	-	62,793,967	81,285,600
Elegance Tower	Offices	Riyadh	424,350,000	(31,661,656)	-	392,688,344	487,219,500
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(7,043,192)	(3,219,008)	97,237,800	97,237,800
Akun warehouses	Logistics	Jeddah	226,737,500	(13,203,977)	(1,533,523)	212,000,000	212,000,000
			1,784,841,045	(140,412,338)	(24,623,686)	1,619,805,021	1,778,066,600

Movement in impairment during the period is as follows:

June 30, 2024 (Unaudited)

Property name	Accumulated impairment at the beginning of the period	Reversal impairment for the period	Disposals during the period	Accumulated impairment at the end of the period
B&Q Retail Company (formerly known as Homeworks Center) (Note 7-b)	(11,577,250)	-	11,577,250	-
Palazzo Center	(20,908,438)	1,443,307	-	(19,465,131)
Al-Malqa Complex	(1,841,904)	1,841,904	-	-
Ahlan Court Center	(3,749,283)	3,343,259	-	(406,024)
Vision Educational Colleges - Jeddah	(4,985,676)	1,766,668	-	(3,219,008)
Akun warehouses	(6,494,186)	4,960,663	-	(1,533,523)
	(49,556,737)	13,355,801	11,577,250	(24,623,686)

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

December 31, 2023 (Audited)

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 (Audited)

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 INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

The following are the major assumptions used in determining the fair value of investment properties as at June 30, 2024:

Property Name	Valuation Method	Discount rate
Palazzo Center	Income	10% - 9%
Al-Malqa Complex	Income	11% - 9.2%
Elite Center	Income	10%
Ahlan Court Center	Income	10% - 9.7%
Bin 2 Center	Income	12% - 9.5%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income	9.5% - 9.4%
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Income	10%
Elegance Tower	Income	9.2% - 9%
Vision Educational Colleges - Jeddah	Income	9.5% - 9.3%
Akun warehouses	Income	9.7% - 9.5%

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 for the period ended June 30, 2024 are listed as follows:

	Accredited valuer	License Number
Esnad Real Estate Valuation Company	Almuhammad Alhussami	1210000934
Twenty-First Century and Partner Company for Real Estate Valuation	Alwaleed Alzoman	1210000038

IMPACT OF NET ASSETS VALUE IF INVESTMENT PROPERTIES 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 fund's assets based on the average of two valuations prepared by independent valuers. As stated in the Fund's Terms and Conditions, the declared net asset values are based on the market value obtained. However, in accordance with IAS 40, the Fund has elected to use the cost method whereby investment properties are carried at cost less depreciation and impairment, if any, in these interim condensed financial statements. Accordingly, the fair value was disclosed for graphical purposes and was not calculated in the Fund's books.

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Cost of investment properties and right of use asset	1,972,220,657	2,046,048,454
Accumulated depreciation	(193,772,266)	(175,121,509)
Net value of investment properties and right of use asset	1,778,448,391	1,870,926,945
Net reversal impairment	137,434,209	97,659,055
Fair value of investment properties and right of use asset	1,915,882,600	1,968,586,000

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Expressed in Saudi Riyal)

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Equity attributable to unitholders	1,063,550,943	1,045,608,726
Unrealized gains arising from revaluation	162,057,895	147,215,792
Net asset at fair value	1,225,608,838	1,192,824,518

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Equity per unit (SR per unit)	7.5424	7.4152
Unrealized gains arising from revaluation per unit (SR per unit)	1.1493	1.0440
Net equity per unit - at fair value (SR per unit)	8.6917	8.4592

8. SHARIA COMPLIANCE

The Fund operates in accordance with Sharia regulations, 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 regulations.

9. 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
<u>June 30, 2024</u>			
January 31, 2024	October 1, 2023 to December 31, 2023	0.105	14,805,929
April 30, 2024	January 1, 2024 to March 31, 2024	0.105	14,805,929
			29,611,858
<u>December 31, 2023</u>			
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
			29,611,858

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

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 June 30, 2024 (as of December 31, 2023: 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. HEDGING AGREEMENTS

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.

12. LAST VALUATION DATE

The last date for valuation during the period is June 30, 2024.

13. RISK MANAGEMENT

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

a) Market risk

Currency risk

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

Fair value and cash flow interest rate risk

Fair value and cash flow interest rate risk are the exposures to various risks related to the effect of fluctuations in market interest rates on the financial position and cash flows of the Fund, and the Fund entered into hedging and interest rate swap agreements to mitigate these risks (Note 11).

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(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

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 of 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 Interim condensed statement of financial position and expected credit loss involved are as follows:

	As at June 30, 2024	As at December 31, 2023
	(Unaudited)	(Audited)
Cash at banks	99,497,556	27,111,669
Account receivable	9,922,808	5,664,474
Other debit balances	30,000	5,981,840
Due from a related party	18,781	18,781

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. and as of that date, unearned rental income and due to related parties (components of current liabilities) and amounted to SR 30,741,190. Therefore, the Fund does not have a significant deficit in working capital during the year ended December 31, 2023. The Fund had no working capital deficit during the period ended June 30, 2024.

ALKHABEER REIT FUND

(Managed by Alkhabeer Capital Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Expressed in Saudi Riyal)

June 30, 2024 (Unaudited)	Book value	Less than one year	More than one year
<u>Non-derivative financial liabilities</u>			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	5,628,121	5,628,121	-
Lease liabilities	13,990,490	1,330,748	12,659,742
Accrued expenses and other credit balances	43,083,361	43,083,361	-
	800,201,972	50,042,230	750,159,742
December 31, 2023 (Audited)	Book value	Less than one year	More than one year
<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	-
	814,971,112	63,728,873	751,242,239

14. 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 interim condensed financial statements are categorised within the fair value hierarchy as stated on basis of preparation of interim condensed financial statements - fair value measurement note (3).

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

15. OPERATING SEGMENTS

The Fund generates continuous rental revenue, in addition to sale of investment property during the period ended June 30, 2024, 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.

16. SUBSEQUENT EVENTS

On July 31, 2024, the Fund's Board of Directors approved the distribution of dividends for the period from April 1, 2024 to June 30, 2024, at an amount of SAR 0.105 per unit and a total of SAR 14,805,929 to unitholders.

17. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Fund Board of Directors for the period ended June 30, 2024 on 2 Safar 1446H (August 6, 2024).