

الخبير ريت  
Alkhabeer REIT



Annual Report 2024

## Alkhabeer REIT Fund

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

الخبير المالية  
Alkhabeer Capital



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Annual Report 2024

## Alkhabeer REIT Fund

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](http://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.

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## Fund Manager's Letter

### Dear Unitholders,

We are pleased to announce that Alkhabeer REIT Fund (the "Fund") has successfully completed its fifth 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.

In April 2024, the Fund successfully exited one of its real estate properties in Riyadh, namely B&Q, for a sum total of SAR 87 million, generating a book profit of SAR 22.22 million. The proceeds of the sale were placed in short-term Shari'ah compliant bank deposits generating an annual return of 5.98%. With this exit, the number of Fund properties is now 11 income generating real estate assets.

The Fund Manager continues to seek prime investment opportunities to add to the Fund's properties which are geographically distributed 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 2024 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.

At the Fund's operational level, the Fund Manager is executing an initiative to develop Almalga Residential Compound in Riyadh in order to increase the annual rental value of the property, as well as increase the return on investment of the asset over the coming years and contribute to generating competitive returns. This initiative is intended to increase the capacity of the units of the property by utilizing space and converting larger units to a number of smaller units to meet demand for this type of units, and thus capitalize on rental value growth in Riyadh's market and maximize benefit from returns generated by the property.

In addition, a Shari'ah compliant hedging agreement was executed with Al Rajhi Bank, for a sum total of SAR 170 million, representing 50% of the facilities used in the Initial Offering; in order to fix SAIBOR at a rate of 5.04%; and to protect the Fund from SAIBOR fluctuations over the term to maturity of these facilities.

The facilities used in the First Subsequent Offering were fixed at a SAIBOR of 1.94% and a term to maturity up to September 2025.

All of the Properties are 100% leased, with the exception of 3 of the 11 properties, namely Almalga Residential Compound, Palazzo Plaza and Gallery Mall, with occupancy rates of 99%, 87% and 60% respectively as at December 2024. 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 paid cumulative cash distributions for the period from 1 January to 31 December 2024 amounting to 4.2% of the Fund's capital, maintaining the same level of distributions compared to 2023.

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 2024. We would like to thank all Unitholders for their continued patronage.

**Fund Manager**  
**Alkhabeer 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. (3) Esnad for Real Estate Valuation. (4) Century 21 Company & Associate for Real Estate Valuation (Century 21 Saudi Arabia)

## (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 2,036,374,080
Fund's Total Capital	SAR 1,410,088,480
Financing*	SAR 737,500,000
Ratio of Loans to Fund's Total Asset Value*	36.22%

\* As at 31 December 2024 (Audited).

### 2. Financial Indicators For Fiscal Year 2024

Valuation Frequency	Semi-annually
Fund's Total Asset Value*	SAR 2,036,374,080
Fund Units' Net Asset Value*	SAR 1,222,582,676
Ratio of Total Expenses and Fees to Fund's Total Asset Value**	2.57%
Ratio of Fund Costs to Fund's Total Asset Value***	4.58%
Ratio of Fund Costs to Fund's Average Net Asset Value	7.62%

\* As at 31 December 2024 (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
As at 30 June 2024	SAR 877,075,035
As at 31 December 2024	SAR 803,750,434

\* Based on the Unit price.



#### 4. Fiscal Year Dividend Distribution (31 December 2024)

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 129,362,126
Unit Price as at the End of the Fiscal Year (31 December 2024)	SAR 5.70
Rental Income for the Year to Unit Price	16.09%
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**	7.38%

\* Including rental income of B&Q Property realized up to the date of its sale.

\*\* Including cash dividends, declared by the Fund Manager on 30 January 2025, 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 2024 to 31 December 2024.

## (C) Fund Assets

### 1. Fund Assets Information

Number of Properties	11 Properties
Land Total Area	151,129 m <sup>2</sup>
Total Build-Up Area	301,508 m <sup>2</sup>

### 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	95%	10.76%	14.68%	0.77%	0.70%
Gallery Mall	Leasehold	Developed	Tabuk	Retail	43,625	68%	4.71%	4.89%	2.30%	1.86%
Palazzo Center	Freehold	Developed	Riyadh	Retail	5,648	87%	3.48%	3.17%	0.47%	1.92%
Ahlan Court Center	Freehold	Developed	Jeddah	Retail	2,758	100%	4.17%	3.62%	N/A	0.93%
BIN II Plaza	Freehold	Developed	Jeddah	Mixed Use	21,305	100%	5.36%	5.02%	N/A	1.20%
Elite Commercial Center	Freehold	Developed	Jeddah	Mixed Use	15,712	100%	9.58%	8.29%	N/A	2.12%
Elegance Tower	Freehold	Developed	Riyadh	Office	58,163	100%	23.19%	25.44%	N/A	N/A
Vision Education Colleges (formerly Al-Farabi)	Freehold	Developed	Riyadh	Education	44,114	100%	5.02%	10.96%	N/A	1.74%
Vision Education Colleges Training Building (formerly Al-Farabi)	Freehold	Under Construction	Riyadh	Education	37,449	100%	12.37%	4.25%	N/A	0.70%
Vision Education Colleges, Jeddah	Freehold	Developed	Jeddah	Education	15,375	100%	5.80%	5.08%	N/A	0.07%
Akun Warehouses	Freehold	Developed	Jeddah	Logistics	16,000	100%	12.37%	11.06%	N/A	0.08%

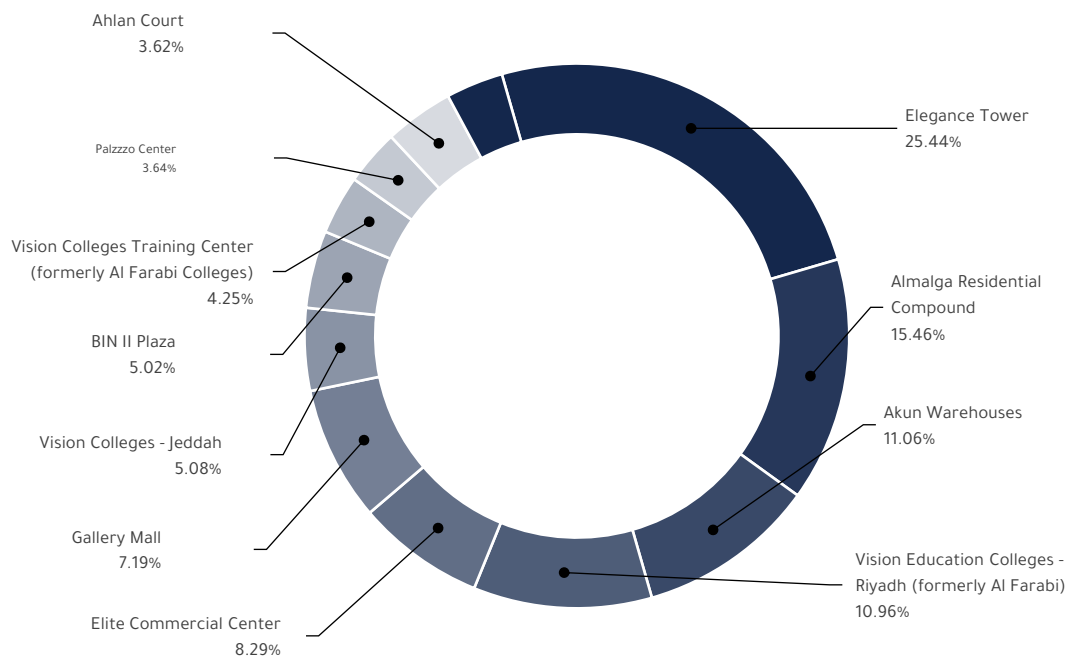
\* The ratio of rent realized from the sold B&Q Property represents 3.18% of the total rents of the Fund.

### 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	2024
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	1,222,582,676
FUND NAV PER UNIT AT THE END OF EACH FISCAL YEAR	9.357	8.7092	8.3484	8.4213	8.4592	8.6703
FUND NET ASSET VALUE PER UNIT HIGH DURING EACH FISCAL YEAR	10.2438	8.9776	8.3922	8.5304	8.4894	8.6917
FUND NET ASSET VALUE PER UNIT LOW DURING EACH FISCAL YEAR	9.0357	8.7092	8.3484	8.4213	8.4592	8.6703
HIGHEST PRICE PER UNIT	11.20	11.82	10.02	9.11	7.69	6.58
LOWEST PRICE PER UNIT	8.91	8.15	8.52	7.46	6.02	5.58
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	141,008,848
INCOME DISTRIBUTION PER UNIT	0.626	0.475	0.500	0.480	0.420	0.420
RATIO OF COSTS INCURRED BY THE FUND TO TOTAL ASSET VALUE	13.87%	5.07%	7.53	3.77%	4.41%	4.58%
COMPARISON RESULTS OF THE FUND'S BENCHMARK PERFORMANCE TO THE PERFORMANCE OF THE FUND	N/A	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%	36.22%
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)	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	First Tranche: 7 September 2031 Second Tranche: 7 September 2031

\* Including cash dividends, declared by the Fund Manager on 30 January 2025, 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 2024 to 31 December 2024.

## 7. Cumulative Total Return (Since Listing)

Item	2019	2020	2021	2022	2023 *	2024 *
TOTAL DIVIDENDS	6.26%	11.01%	16.01%	20.81%	25.01%	29.21%
UNIT PRICE PERFORMANCE	9.00%	-6.10%	-13.30%	-24.00%	-38.40%	-43.00%
TOTAL RETURN **	15.26%	4.91%	2.71%	-3.19%	-13.39%	-13.79%

## 8. Annual Total Return

Item	2019	2020	2021	2022	2023	2024 *
TOTAL DIVIDENDS	6.26%	4.75%	5.00%	4.80%	4.20%	4.20%
UNIT PRICE PERFORMANCE	9.00%	-13.85%	-7.67%	-12.34%	-18.95%	-7.47%
TOTAL RETURN **	15.26%	-9.10%	-2.71%	-7.54%	-14.75%	-3.27%

\* Including cash dividends, declared by the Fund Manager on 30 January 2025, 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 2024 to 31 December 2024.

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

## 9. Summary of Performance of the Fund for Fiscal Year 2024

Number of Units	141,008,848
Net Asset Value upon Issue	664,423,860
Net Asset Value	1,222,582,676
Net Asset Value per Unit upon Issue	10
Net Asset Value per Unit	8.6703
Net Operating Revenues per Unit	0.45
Total Dividend Distributions per Unit *	0.42

\* Including cash dividends, declared by the Fund Manager on 30 January 2025, 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 2024 to 31 December 2024.

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

Item	Amount	Percentage Expenditures
Fund Management Fees	9,218,174	0.45%
Fund Operator Fees	307,272	0.02%
Custodian Fees	479,003	0.02%
Tadawul / Edaa Fees	670,459	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	40,927,616	2.01%
Other	15,077,102	0.74%
Total Fund Fees and Expenses	66,808,627	3.28%
Value of Assets Under Management	2,036,374,080	

Non-Cash Expenditures	Amount	Percentage Expenditures
Depreciation of Real Estate Assets and Right of Use of Asset	43,354,108	2.13%
Reversing decrease in real estate investment value	(17,034,355)	-0.84%
Expected Credit Loss	174,283	0.01%
Total non-cash fund expenses	26,494,036	

\* Non-cash expenses represent 44.65% 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

#### I) 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
25 February 2024	On 23 February 2024, the Fund Manager announced the Fund Board's initial approval to accept the offer to buy one of the Fund's properties (the transaction), provided the necessary property valuation is made before proceeding with the execution of the transaction, in accordance with requirements as stipulated in the Fund's Terms and Conditions.
31 March 2024	<p>The Fund Manager announced the completion of the sale of B&amp;Q property (formerly HomeWorks Center) (the Property), located in the City of Riyadh, King Fahad District, on 18 Ramadan 1445H, corresponding to 28 March 2024, after obtaining the Fund Board's initial approval to the offer to buy the property, and subsequent to the Fund Manager's completion of the necessary property valuations in accordance with requirements as stipulated in the Fund's Terms and Conditions.</p> <ul style="list-style-type: none"> <li>– The sale price of the property is SAR 87,601,390 (Eighty Seven Million Six Hundred One Thousand Three Hundred Ninety Saudi Riyals). The buyer pays the real estate transactions tax and the brokerage fees. The Fund had acquired the property in September 2018. The property generated an average annual rental income of approximately 6.7% throughout this holding period.</li> <li>– The sale transaction provides flexibility to the Fund and supports the Fund's financial position. The sale proceeds may be used to repay part of the outstanding bank facilities, or to finance the acquisition of other income generating real estate assets, or to develop and improve the performance of properties owned by the Fund.</li> </ul>
28 August 2024	<p>The Fund Manager announced the updating of the Terms and Conditions of Alkhabeer REIT Fund, effective as of 9 Rabi Awal 1446H, corresponding to 12 September 2024.</p> <ul style="list-style-type: none"> <li>– The name of the Auditor was updated.</li> <li>– Two accredited valuers were added to provide valuation of the assets of the Fund.</li> <li>– The fees were reviewed by the Auditor; to become SAR 80,000 per annum instead of the previous SAR 75,000.</li> <li>– The status of the title of the Fund's HomeWorks property was updated.</li> <li>– Fund Board Members' memberships on the boards of other funds were updated.</li> </ul>

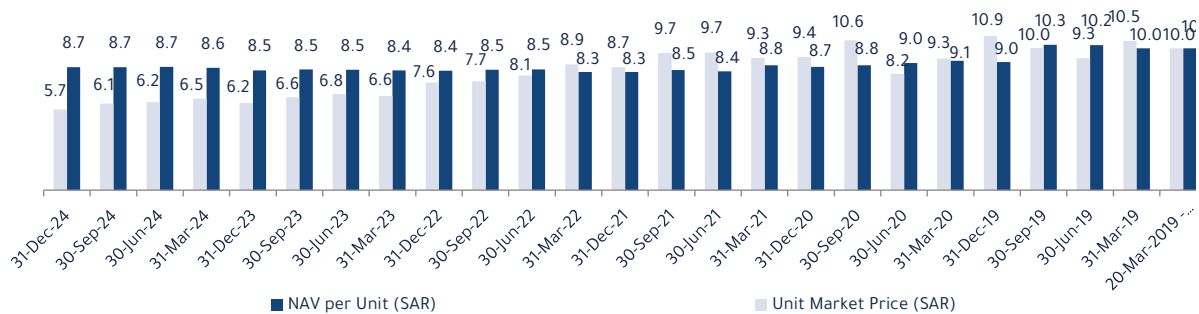
Announcement Date	Details
	<ul style="list-style-type: none"> <li>Examples on how to calculate Fund fees and cost ratios were updated to reflect the update of the Auditor's fees.</li> </ul>
3 November 2024	<p>Further to the credit facilities agreement signed by the Fund Manager with Al Rajhi Bank for a sum total of SAR 1,035 million, with a term to maturity up to September 2031 for any facilities used, and whereas a sum total of SAR 737.5 million of these facilities was used as follows:</p> <ul style="list-style-type: none"> <li>A sum of SAR 340 million; for the Fund's Initial Offering (Initial Offering).</li> <li>A sum of SAR 397.5 million; for the Fund's First Subsequent Offering (First Subsequent Offering).</li> </ul> <p>Therefore, Alkhabeer Capital announces that on 30 October 2024, a Shari'ah compliant hedging agreement was signed with Al Rajhi Bank for a sum of SAR 170 million, representing 50% of the facilities used in the Initial Offering, for the purpose of fixing SAIBOR at 5.04% in order to protect the Fund against SAIBOR fluctuations during the period to maturity of these facilities.</p> <p>The facilities used in the First Subsequent Offering were previously fixed at a SAIBOR of 1.94%, with a term to maturity up to September 2025.</p>

## II) In respect of reports and distribution of dividends

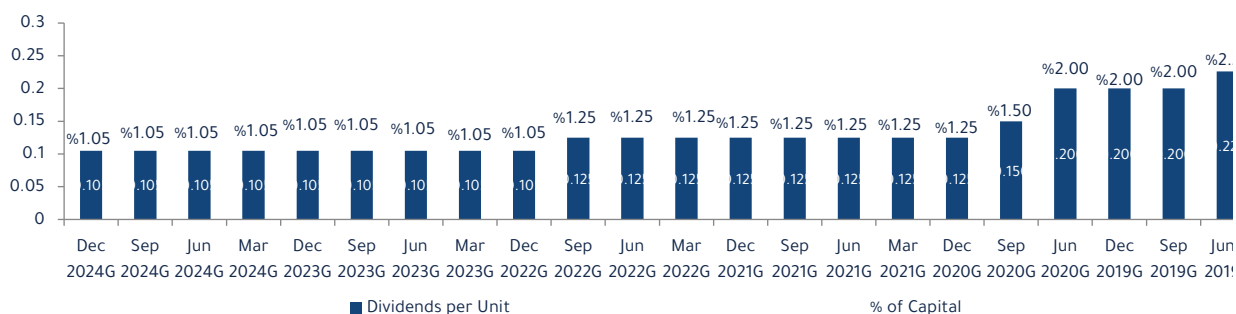
Announcement Date	Details
14 January 2024	On 14 January 2024, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 December 2023.
31 January 2024	On 31 January 2024, the Fund Manager announced the distribution of cash dividends to Alkhabeer 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 2023 to 31 December 2023.
31 March 2024	On 31 March 2024, 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 2023.
22 April 2024	On 22 April 2024, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 31 March 2024.
30 April 2024	On 30 April 2024, 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 2024 to 31 March 2024.
11 July 2024	On 11 July 2024, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 June 2024.
18 July 2024	On 18 July 2024, the Fund Manager announced the availability Fund assets semi-annual valuation reports for the period ending 30 June 2024, prepared by accredited valuers in accordance with the Fund

Announcement Date	Details
	assets valuation policy as contained in the Fund's Terms and Conditions.
31 July 2024	On 31 July 2024, 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 2024 to 30 June 2024.
11 August 2024	On 11 August 2024, the Fund Manager announced the availability of the Fund's reviewed proforma financial statements for the period ending 30 June 2024.
14 October 2024	On 14 October 2024, the Fund Manager announced the availability of Alkhabeer REIT Fund's quarterly statement for the period ending 30 September 2024.
31 October 2024	On 31 October 2024, the Fund Manager publicly 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 2024 to 30 September 2024.

## 2. Net Asset Value and Unit Price Performance

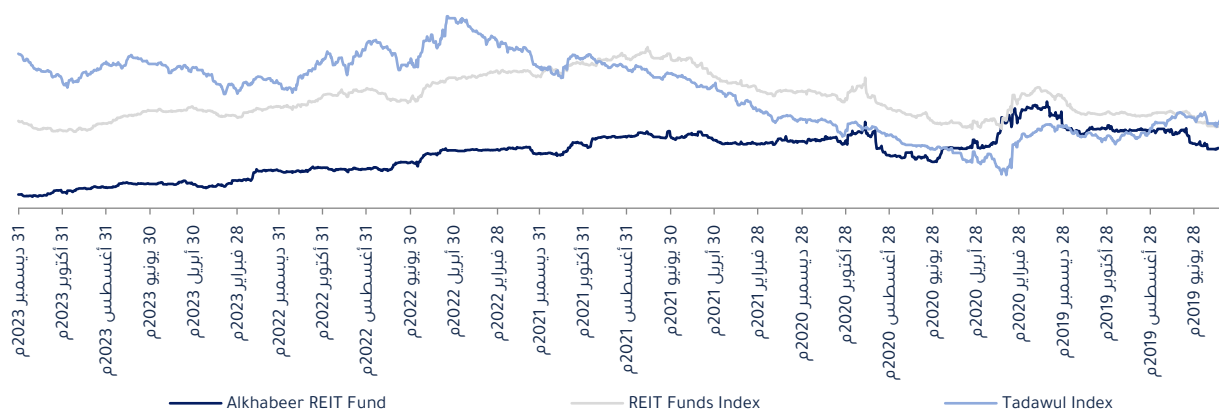


### 3. Dividend Distributions to Unitholders \*



\* Including cash dividends, declared by the Fund Manager on 30 January 2025, 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 2024 to 31 December 2024.

### 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														
Meeting (No. 1-2024) on 3 April 2024	<b><u>Recommendations and Resolutions:</u></b>														
	1. Review of the latest update of the draft hedging agreement with Al Rajhi Bank.														
	2. Approve the Fund Manager’s recommendation to appoint: Esnad Real Estate Property Management and Century 21 Saudi Arabia as service providers to the Fund for purposes of real estate property valuation to be used when preparing the Fund’s pro forma and annual financial statements.														
	3. Approve the Fund Manager’s recommendation to authorize Mr. Hisham Omar Baroom – in his capacity as Deputy CEO of the Fund Manager (Alkhabeer Capital), to sign the real estate property valuation service provider contracts referred to in Paragraph (1) above.														
	4. Approve the confirmation of resolutions made by circulation during the period from the date of the last Fund Board meeting. These resolutions are as follows:														
	<table><tr><th>#</th><th>Date</th><th>Resolution</th></tr><tr><td>1</td><td>11.12.2023</td><td>Approving the reconciliation agreement with Nomou Company Limited.</td></tr><tr><td>2</td><td>13.12.2023</td><td>Approving the payment of fees for management of corporate finance with the Fund Manager (Alkhabeer Capital), in return for credit facilities arranging and restructuring fees.</td></tr><tr><td>3</td><td>18.12.2023</td><td>Verifying the independence of the members of Alkhabeer REIT Fund Board.</td></tr></table>	#	Date	Resolution	1	11.12.2023	Approving the reconciliation agreement with Nomou Company Limited.	2	13.12.2023	Approving the payment of fees for management of corporate finance with the Fund Manager (Alkhabeer Capital), in return for credit facilities arranging and restructuring fees.	3	18.12.2023	Verifying the independence of the members of Alkhabeer REIT Fund Board.		
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3	18.12.2023	Verifying the independence of the members of Alkhabeer REIT Fund Board.													
Meeting (No. 2-2024) on 2 July 2024	Review of the latest developments related to the Compliance and MLR Department.														
Meeting (No. 3-2024) on 1 October 2024	<b><u>Recommendations and Resolutions:</u></b>														
	1. Review of the latest update of the draft hedging agreement with Al Rajhi Bank.														
	2. Inform the Compliance and MLR Department of the update of the policy and procedures related to the powers and authority of the Fund Manager. These updates should include a clarification that the Fund Manager is not entitled to use any amounts of capital in distributions or payment of Fund liabilities without obtaining proper authorization.														
	3. Return of the cash balance resulting from the sale of B&Q Property, one of the valuable assets owned by the Fund, valued at a sum total of SAR 87.6 million. The Fund Board shall be informed of developments immediately.														
	4. Review with the Fund’s Legal Advisor the conditions for renewal and/extension of the lease term of Gallery Mall property.														

Meeting	Main Subjects and Fund Board Resolutions																																					
	<ol style="list-style-type: none"> <li>5. Conduct a detailed analytical study of the Fund's operating costs and the costs of exiting Fund properties and their effect on the Fund in each fiscal year, and recommend to the Board the views of the Fund Manager concerning these investments.</li> <li>6. Add the financial forecasts table included on page 32 of the Fund Manager's presentation, after re-evaluation of the terms of the hedging agreement and its financial effects on the Fund.</li> <li>7. Approve the minutes of meeting of Alkhabeer REIT Fund Board, held by circulation on 02.07.2024.</li> <li>8. Reject the offer to buy made by Muthabara Real Estate Company.</li> <li>9. Reject the offer to buy Ahlan Court made by MSB Company.</li> <li>10. Approve maintaining the green classification.</li> <li>11. Approve the confirmation of resolutions made by circulation during the period from the date of the last Fund Board meeting. These resolutions are as follows:</li> </ol>																																					
	<table> <tr> <th>#</th><th>Date</th><th>Resolution</th></tr> <tr> <td>1</td><td>10.01.2024</td><td>Approve Alkhabeer REIT Fund's investor report for Q4 of FY 2023 (quarterly report).</td></tr> <tr> <td>2</td><td>31.01.2024</td><td>Approve the distribution of cash dividends for the period from 1 October 2023 to 31 December 2023.</td></tr> <tr> <td>3</td><td>08.02.2024</td><td>Review the annual report related to complaints and actions taken during 2023.</td></tr> <tr> <td>4</td><td>22.02.2024</td><td>Approve the offer to buy B&amp;Q Property (formerly HomeWorks), an asset owned by the Fund.</td></tr> <tr> <td>5</td><td>14.03.2024</td><td>Review the risk assessment report and the report on the evaluation of performance and quality of service provided by parties concerned.</td></tr> <tr> <td>6</td><td>20.03.2024</td><td>Approve the financial statements and the Independent Auditor's report for the year ended 31.12.2023.</td></tr> <tr> <td>7</td><td>26.03.2024</td><td>Approve Alkhabeer REIT Fund's 2023 annual report.</td></tr> <tr> <td>8</td><td>15.04.2024</td><td>Approve Alkhabeer REIT Fund's investor report for Q1 of FY 2024 (quarterly report).</td></tr> <tr> <td>9</td><td>29.04.2024</td><td>Approve the distribution of cash dividends for the period from 1 January 2024 to 31 March 2024 (First Quarter of Fiscal Year 2024).</td></tr> <tr> <td>10</td><td>07.07.2024</td><td>Approve Alkhabeer REIT Fund's investor report for Q2 of FY 2024 (quarterly report).</td></tr> <tr> <td>11</td><td>30.07.2024</td><td>Approve the distribution of cash dividends for the period from 1 April 2024 to 30 June 2024 (Second Quarter of Fiscal Year 2024).</td></tr> </table>	#	Date	Resolution	1	10.01.2024	Approve Alkhabeer REIT Fund's investor report for Q4 of FY 2023 (quarterly report).	2	31.01.2024	Approve the distribution of cash dividends for the period from 1 October 2023 to 31 December 2023.	3	08.02.2024	Review the annual report related to complaints and actions taken during 2023.	4	22.02.2024	Approve the offer to buy B&Q Property (formerly HomeWorks), an asset owned by the Fund.	5	14.03.2024	Review the risk assessment report and the report on the evaluation of performance and quality of service provided by parties concerned.	6	20.03.2024	Approve the financial statements and the Independent Auditor's report for the year ended 31.12.2023.	7	26.03.2024	Approve Alkhabeer REIT Fund's 2023 annual report.	8	15.04.2024	Approve Alkhabeer REIT Fund's investor report for Q1 of FY 2024 (quarterly report).	9	29.04.2024	Approve the distribution of cash dividends for the period from 1 January 2024 to 31 March 2024 (First Quarter of Fiscal Year 2024).	10	07.07.2024	Approve Alkhabeer REIT Fund's investor report for Q2 of FY 2024 (quarterly report).	11	30.07.2024	Approve the distribution of cash dividends for the period from 1 April 2024 to 30 June 2024 (Second Quarter of Fiscal Year 2024).	
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Meeting	Main Subjects and Fund Board Resolutions		
	12	05.08.2024	Approve Alkhabeer REIT Fund's (unaudited) pro forma financial statements for the six months period ended 30.06.2024.
	13	19.08.2024	Approve the amendments to Alkhabeer REIT Fund's Terms and Conditions Memorandum.

Additional Resolutions by Circulation	#	Date	Resolution
	1	12.10.2024	Approve Alkhabeer REIT Fund's investor report for Q3 of FY 2024 (quarterly report).
	2	22.10.2024	Approve the signing of the hedging agreement with Al Rajhi Bank.
	3	29.10.2024	Approve the signing of the hedging agreement with Al Rajhi Bank for 50% of the size of the credit facilities.
	4	30.10.2024	Approve the proposed distributions – for the third quarter of Fiscal Year 2024.
	5	10/11/2024	Verify 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
Rent Collection Risks	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.	<ul style="list-style-type: none"> <li>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.</li> <li>To implement specific marketing strategies through relevant property managers and operators to maintain and increase the occupancy rate of the Fund's properties.</li> <li>The average lease term of the Fund's properties was around 10 years.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
Exit Risks	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.	<ul style="list-style-type: none"> <li>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.</li> </ul>

Expected Risks	Risk Description	Risk Mitigation Techniques
Interest Rate Risks	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.	<ul style="list-style-type: none"> <li>To mitigate high interest rate risks, the Fund Manager signed a Shari'ah compliant hedging agreement:               <ol style="list-style-type: none"> <li>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.</li> <li>In respect of the second financing amount drawn from Al Rajhi Bank in the 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.</li> </ol> </li> </ul>
Geographic and Sector Concentration Risks	Risks related to the concentration of the Fund's assets in a particular geographic or real estate sector.	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
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"> <li>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.</li> <li>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</li> </ul>

Expected Risks	Risk Description	Risk Mitigation Techniques
		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"> <li>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.</li> </ul>
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"> <li>The Fund Manager, Alkhabeer Capital, has an outstanding track record and vast experience in asset management.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
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"> <li>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.</li> </ul>
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	<ul style="list-style-type: none"> <li>The Fund Manager addresses these risks by: <ul style="list-style-type: none"> <li>Before Acquisition: Carrying out due diligence and valuation.</li> </ul> </li> </ul>

Expected Risks	Risk Description	Risk Mitigation Techniques
	an exaggerated valuation of the initial assets above their actual market value.	<ul style="list-style-type: none"> <li>○ 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.</li> <li>• 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.</li> </ul>
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"> <li>• 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.</li> </ul>
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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>



Expected Risks	Risk Description	Risk Mitigation Techniques
Development Risks	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.	<ul style="list-style-type: none"> <li>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.</li> <li>The Fund Manager shall assign the development works to experienced service providers capable of completing works.</li> </ul>
Legal Risks	Relate to potential cases arising from disputes related to the contracts signed by the Fund with counterparties.	<ul style="list-style-type: none"> <li>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.</li> <li>In the event of a dispute, the Fund Manager shall appoint a qualified legal advisor to follow up the case.</li> </ul>
COVID-19 Pandemic Risks	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	<ul style="list-style-type: none"> <li>The Fund Manager will adopt a number of strategies to minimize the effects of such events, including for example:</li> <li>Signing long term lease agreements with master tenants.</li> <li>Continually endeavoring to ensure that the Fund has a diverse and solid tenant base in the public and private sectors.</li> </ul>



Expected Risks	Risk Description	Risk Mitigation Techniques
	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 available for distribution to Unitholders.	<ul style="list-style-type: none"> <li>• Asset class and geographic diversification.</li> <li>• 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, 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.</li> <li>• 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.</li> <li>• Strict compliance with the preventative measures and other government rules.</li> </ul>



## (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"> <li>– 210 units offering three bedrooms</li> <li>– 16 units offering two bedrooms</li> <li>– 47 units (studio) in the basement</li> </ul>
Number of Floors	3 floors and a penthouse
Property Facilities	The Property has an underground car parking area of 10,000 m <sup>2</sup> in the basement, indoor swimming pools, common entertainment areas, multi-use halls and two health clubs
Land Area	15,925 m <sup>2</sup>
Total Built-Up Area	41,362 m <sup>2</sup>

## Second Property: Gallery Mall

City of Tabuk



### Property Overview

Property Location	Alsahiya 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 <sup>2</sup>

Total Built-Up Area	43,625 m <sup>2</sup>
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## 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 <sup>2</sup>
Land Area	6,050 m <sup>2</sup>
Total Built-Up Area	5,648 m <sup>2</sup>



## Fourth Property: B&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 <sup>2</sup>
Total Built-Up Area	9,181 m <sup>2</sup>
Property Sale Date	28 March 2024
Property Sale Value	SAR 87.6 million
Profit on Sale of Property	SAR 22.2 million

\* Successfully sold the property on 28 March 2024.

## 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 <sup>2</sup>
Total Built-Up Area	2,758 m <sup>2</sup>

## 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 <sup>2</sup>
Total Built-Up Area	21,305 m <sup>2</sup>



## 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 <sup>2</sup>
Total Built-Up Area	15,712 m <sup>2</sup>

## 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 <sup>2</sup>
Total Built-Up Area	58,163 m <sup>2</sup>



## 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 <sup>2</sup>
Total Built-Up Area	15,375 m <sup>2</sup>

## 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 <sup>2</sup>
Total Built-Up Area (As per the Building Permit)	48,770.76 m <sup>2</sup>

## 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 <sup>2</sup>
Total Built-Up Area (As per the Building Permit)	13,875 m <sup>2</sup>



## 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 <sup>2</sup>
Total Built-Up Area (As per the Building Permit)	12,888.83 m <sup>2</sup>



## **(G) Financial Statements**

### **For Fiscal Year Ending 31 December 2024**

**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, 2024**



**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, 2024**

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## **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, 2024, 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 material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024, 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.

<b>Key Audit Matters</b>	<b>How We Addressed Key Audit Matters</b>
<p><b>Investment properties and right of use asset</b></p> <p>Impairment of investment properties and right of use asset.</p> <p>As at 31 December 2024, the book value of investment properties and right of use asset held by the Fund amounted to SR 1.609 million and SR 130.3 million respectively (2023: SR 1.688 million and SR 133 million respectively).</p>	<p>Our audit procedures in response to the assessed risk of material misstatement in the valuation of impairment in investment properties and right of use asset comprised of:</p> <ul style="list-style-type: none"> <li>▪ Obtained an understanding of the management procedures for determining the impairment in the value of investment properties.</li> </ul>

**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 9 and 10 to the financial statements illustrate details of investment properties and right of use asset and the movement during the year. Note 4 illustrates the details of related accounting policies and significant judgements and assumptions applied in the determination of the recoverable amounts of the investment properties and right of use asset.</p>	<ul style="list-style-type: none"> <li>▪ Assessed the Fund manager's determination of the following:               <ul style="list-style-type: none"> <li>- The factors taken into consideration when assessing indicators of impairment, and</li> <li>- The base used to determine cash generating units, which is the level used to calculate the recoverable amount.</li> </ul> </li> <li>▪ Assessed the recoverable amount determined by the Fund by using valuation reports prepared by two independent valuers as of December 31, 2024 and examined the recoverable amount of investment properties and right of use asset, and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal and value in use.</li> <li>▪ 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.</li> <li>▪ Compared the recoverable amount of each cash-generating unit with its listed book value.</li> <li>▪ We have reviewed the financial statement disclosures.</li> </ul>



## **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)**

<b>Key Audit Matters</b>	<b>How We Addressed Key Audit Matters</b>
<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"><li>▪ 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. We used our specialists on this field to review the assumptions used in valuing the investment properties and right of use asset.</li><li>▪ 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 investment properties.</li></ul>

### **Other information included in the Fund's 2024 Annual Report**

Other information consists of the information included in the Fund's 2024 Annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information included in its annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information is materially inconsistent with the accompanying financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement on this other information, we are required to report that fact, and we have nothing to report about on this matter.

## **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 fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements 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**

Ramadan 20, 1446H (March 20, 2025)  
Jeddah, Kingdom of Saudi Arabia

**ALKHABEER REIT FUND – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2024**  
(Expressed in Saudi Riyal)

		<b>As at December 31,</b>	
	<b>Note</b>	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	108,023,128	27,111,669
Account receivables	6	11,793,506	5,664,474
Prepaid expenses and other debit balances	7	395,765	6,414,706
Due from a related party	8 - a	18,781	18,781
<b>Total current assets</b>		<b>120,231,180</b>	<b>39,209,630</b>
<b>Non-current assets</b>			
Right of use asset	9 - a	130,287,550	133,031,169
Investment properties	10	1,608,996,237	1,688,339,039
<b>Total non-current assets</b>		<b>1,739,283,787</b>	<b>1,821,370,208</b>
<b>Total assets</b>		<b>1,859,514,967</b>	<b>1,860,579,838</b>
<b>LIABILITIES AND EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>			
<b>Current liabilities</b>			
Due to related parties	8 - b	5,917,440	6,886,432
Lease liabilities – current portion	9 - b	1,110,437	1,082,497
Accrued expenses and other credit balances	12	56,383,473	55,759,944
<b>Total current liabilities</b>		<b>63,411,350</b>	<b>63,728,873</b>
<b>Non-current liabilities</b>			
Lease liabilities – non-current portion	9 - b	12,880,053	13,742,239
Credit facilities	11 - a	737,500,000	737,500,000
<b>Total non-current liabilities</b>		<b>750,380,053</b>	<b>751,242,239</b>
<b>Total liabilities</b>		<b>813,791,403</b>	<b>814,971,112</b>
<b>EQUITY ATTRIBUTABLE TO UNITHOLDERS</b>		<b>1,045,723,564</b>	<b>1,045,608,726</b>
<b>Total liabilities and equity attributable to unitholders</b>		<b>1,859,514,967</b>	<b>1,860,579,838</b>
<b>Number of units issued (unit)</b>		<b>141,008,848</b>	<b>141,008,848</b>
<b>Equity per unit – book value (SR per unit)</b>	10 - c	<b>7.4160</b>	<b>7.4152</b>
<b>Equity per unit – fair value (SR per unit)</b>	10 - c	<b>8.6703</b>	<b>8.4592</b>

The accompanying notes from (1) to (25) form an integral part of these financial statements.



**ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in Saudi Riyal)

	Note	<b>For the year ended December 31,</b>	
		<b>2024</b>	<b>2023</b>
Rental income	13	<b>129,362,126</b>	123,723,817
<b>Expenses</b>			
Properties management fees	15	<b>(11,030,424)</b>	(10,686,672)
Administration and custody fees	8,15	<b>(786,275)</b>	(792,593)
Management fees	8,15	<b>(9,218,174)</b>	(8,998,722)
Expected credit losses	6	<b>(174,283)</b>	(2,205,336)
Other expenses	14	<b>(4,846,137)</b>	(7,191,694)
<b>Total expenses</b>		<b>(26,055,293)</b>	(29,875,017)
Finance cost	11 – b	<b>(40,927,616)</b>	(31,825,865)
Gain from sale of investment properties		<b>22,222,390</b>	-
Income from bank deposits	5	<b>1,056,700</b>	-
Depreciation of investment properties and right of use asset	9,10	<b>(43,354,108)</b>	(43,539,904)
Reversal of impairment of investment properties	10	<b>17,034,355</b>	16,652,035
<b>Profit for the year</b>		<b>59,338,554</b>	35,135,066
Other comprehensive income		<b>-</b>	-
<b>Total comprehensive income for the year</b>		<b>59,338,554</b>	35,135,066

The accompanying notes from (1) to (25) form an integral part of these financial statements.

**ALKHABEER REIT FUND – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**  
(Expressed in Saudi Riyal)

		<b>For the year ended December 31,</b>	
	Note	<b>2024</b>	<b>2023</b>
<b>Equity attributable to unitholders</b>			
Equity attributable to unitholders at the beginning of the year		<b>1,045,608,726</b>	1,069,697,376
Dividends	18	<b>(59,223,716)</b>	(59,223,716)
Comprehensive income for the year		<b>59,338,554</b>	35,135,066
<b>Equity attributable to unitholders at the end of the year</b>		<b>1,045,723,564</b>	1,045,608,726
<b><u>Transactions in units for the year are summarized as follows:</u></b>			
Number of units at the beginning of the year (unit)		<b>141,008,848</b>	141,008,848
<b>Number of units at the end of the year (unit)</b>		<b>141,008,848</b>	141,008,848

\*No units were issued or disposed during the years ended December 31, 2024 and 2023.

The accompanying notes from (1) to (25) form an integral part of these financial statements.

**ALKHABEER REIT FUND – Expressed in Saudi Riyal**  
(Managed by Alkhabeer Capital Company)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**  
(Expressed in Saudi Riyal)

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Profit for the year	59,338,554	35,135,066
<b>Adjustments:</b>		
Depreciation of investment properties and right of use asset	43,354,108	43,539,904
Reversal of impairment of investment properties	(17,034,355)	(16,652,035)
Gain from sale of investment properties	(22,222,390)	-
Income from bank deposits	(1,056,700)	-
Interest charged on lease liabilities (included in finance cost)	744,754	782,618
Finance cost	40,182,862	31,043,247
Expected credit losses	174,283	2,205,336
<b>Changes in operating assets and liabilities:</b>		
Account receivables	(12,162,315)	(4,303,579)
Prepaid expenses and other debit balances	67,101	431,151
Due to related parties	(968,992)	(352,811)
Accrued expenses and other credit balances	(14,541,349)	(22,581,361)
<b>Net cash provided by operating activities</b>	<b>75,875,561</b>	<b>69,247,536</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Additions to investment properties	(2,049,094)	(1,767,900)
Proceeds from the sale of investment properties	87,601,390	-
Proceeds from income on bank deposits	1,056,700	-
Additions to right of use asset	(1,611,398)	(1,475,919)
<b>Net cash provided by / (used in) investing activities</b>	<b>84,997,598</b>	<b>(3,243,819)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Dividends paid	(53,364,716)	(40,023,537)
Lease payments	(1,579,000)	(1,579,000)
Finance cost paid	(25,017,984)	(20,716,470)
<b>Net cash used in financing activities</b>	<b>(79,961,700)</b>	<b>(62,319,007)</b>
<b>Net change in cash and cash equivalent</b>	<b>80,911,459</b>	<b>3,684,710</b>
Cash and cash equivalent at the beginning of the year	27,111,669	23,426,959
<b>Cash and cash equivalent at the end of the year</b>	<b>108,023,128</b>	<b>27,111,669</b>
<b><u>Non-cash items:</u></b>		
Dividends distributions through settlement of account receivables to unitholders	5,859,000	4,394,250
Transferred from other debit balances to additions to right-of-use asset	(5,951,840)	-
Unpaid dividends	14,805,929	14,805,929

The accompanying notes from (1) to (25) form an integral part of these financial statements.

## **ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in Saudi Riyal)

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#### **1. THE FUND AND ITS ACTIVITIES**

Alkhabeer REIT Fund (the "Fund") – expressed in Saudi Riyals 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 issued 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 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**

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

## **ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in Saudi Riyal)

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#### **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 principal 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 used are reasonable and sufficient.

#### **New standards, amendments to standards and interpretations:**

There are standards and interpretations that became effective from January 1, 2024. The fund manager believes that the amendments do not 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 explain how the fund accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

##### **- Amendments to IAS 1 – Non-Current Liabilities with Commitments and Classification of Liabilities as Current or Non-Current:**

These amendments clarify how conditions with which the fund must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

##### **- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements:**

These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

## **ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024**

(Expressed in Saudi Riyal)

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#### **Standards Issued but Not Yet Applied:**

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2025 and earlier application is permitted for certain new standards and amendments; however, the Fund has not early adopted them in preparing these Financial Statements. The Fund is currently evaluating the impact of the adoption of these standards on the Financial Statements.

#### **- Amendments to IAS 27 – Lack of Convertibility:**

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

#### **- Amendments to IFRS 9 and IAS 7 – Classification and Measurement of Financial Instruments:**

- Clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- Make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

#### **- IFRS 18 – Presentation and Disclosure in Financial Statements:**

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- The structure of the statement of profit or loss;
- Required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

## **4. SIGNIFICANT INFORMATION ON ACCOUNTING POLICIES**

### **Cash and cash equivalents**

Cash and cash equivalents include cash at banks and 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 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.

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The carrying amount of investment properties is reviewed to determine if there is any impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such evidence exists and the carrying amount exceeds the recoverable amount, the assets are then written down to their recoverable amount, which represents the higher of fair value less costs to sell and value in use.

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 investment properties:

<b>Item</b>	<b>Useful life</b>
Buildings	40 years

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 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.



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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**

Derivative financial instruments, including forward foreign exchange contracts, interest rate swaps, and commodity derivatives, are measured at fair value. Derivatives are recognized as assets when the fair value is positive and as liabilities when the fair value is negative. Any related transaction costs are recognized in profit or loss when incurred. Fair values are obtained by referencing quoted market prices, discounted cash flow models, and pricing models, as applicable.

After initial recognition, any changes in fair value are recognized based on hedge accounting.

The fund designates its derivatives as hedging instruments in qualifying hedge relationships to manage exposure to risks such as interest rate, foreign currency, and commodity price risks, including exposures arising from highly probable forecast transactions and firm commitments in order to manage specific risks. The fund applies hedge accounting to transactions that meet specific criteria.

To qualify for hedge accounting, the hedge must be highly effective, meaning that changes in the fair value or cash flows of the hedging instrument must effectively offset corresponding changes in the hedged item, and must be reliably measurable at the inception of the hedge. The risk management objective and strategy are documented, including identifying the hedging instrument, the hedged item, the nature of the risk being hedged, and how the fund assesses the effectiveness of the hedge relationship. A formal evaluation is carried out by comparing the effectiveness of the hedging instrument in offsetting changes in the fair value or cash flows attributable to the hedged risk in the hedged item, both at the inception of the hedge and at the end of each financial quarter on an ongoing basis. Future effectiveness testing is primarily conducted by matching the key terms of both the hedged item and the hedging instrument.

#### **Offsetting**

Financial assets and financial liabilities are offset and only the net amount is presented in the financial statements when there is a legally enforceable right to set off the recognized amounts, and there is an intention to settle the assets and liabilities on a net basis, either to realize the asset and settle the 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.

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#### **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 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.

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#### **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 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.

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#### **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.

#### **Financial assets**

Financial assets include the following:

- a) Cash and cash equivalents
- b) Equity instruments in another entity, or
- 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, or
- 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).
- 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.

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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:

#### **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.

#### **• Financial assets at fair value through other comprehensive income**

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.

#### **• Financial assets at fair value through 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 profit or loss.

#### **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.

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#### **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.

#### **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 de-recognizes 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 liability related to the 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 the liabilities associated with the proceeds received.

On de-recognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the amount of the consideration received and accrued is recognized in the profit or loss. In addition, on de-recognition of an investment in a debt instrument classified as at FVTOCI, the gain or loss previously recognized in the revaluation reserve is reclassified to the profit or loss. In contrast, on de-recognition 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 Fund's 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

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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, 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 and right of use asset**

The Fund Manager determines the useful lives of investment properties and right of use asset 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 other income immediately in profit or loss.

#### **Impairment of right of use assets**

The fund manager reviews the carrying value of the right-of-use asset to determine if there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized if the carrying amount of the right-of-use asset exceeds its recoverable amount, which represents the fair value of the right-of-use asset. The impaired right-of-use asset is tested for possible reversal of impairment at the date of each financial statement. An impairment loss is reversed only to the extent that the carrying value of the right-of-use asset does not exceed its carrying value that would have been determined, net of depreciation, had no impairment loss been recognized. Impairment losses are recognized in profit or loss.



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**5. CASH AND CASH EQUIVALENTS**

	<b>2024</b>	2023
Cash at banks	<b>28,023,128</b>	27,111,669
Bank deposits *	<b>80,000,000</b>	-
	<b>108,023,128</b>	27,111,669

\*During 2024, an agreement was signed with a local bank to invest in short-term deposits (less than 3 months) amounting to SR 80 million (2023: nil). The duration of this agreement is two years, ending in August 2026. The finance income from short-term deposits during 2024, which carry a profit margin ranging between 5.15% and 6.15%, amounted to SR 1.1 million.

**6. ACCOUNT RECEIVABLES**

	<b>2024</b>	2023
Account receivables*	<b>64,173,125</b>	57,869,810
Expected credit losses	<b>(52,379,619)</b>	(52,205,336)
	<b>11,793,506</b>	5,664,474

\*The accounts receivable balance includes both billed receivables and accrued rental income for the remaining period until the end of the year (to be invoiced later).

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

	<b>2024</b>	2023
Balance at the beginning of the year	<b>52,205,336</b>	50,000,000
Charge for the year	<b>174,283</b>	2,205,336
	<b>52,379,619</b>	52,205,336

Below are the impaired accounts receivable balances based on their aging:

<b>2024</b>	<b>Total</b>	<b>≤90 Days</b>	<b>91 – 180 Days</b>	<b>181 – 365 Days</b>	<b>&gt;365 Days</b>
<b>Book value</b>	<b>64,173,125</b>	<b>4,372,590</b>	<b>4,345,273</b>	<b>5,932,324</b>	<b>49,522,938</b>
<b>Loss ratio</b>	<b>%81.62</b>	<b>%0</b>	<b>%0</b>	<b>%48.15</b>	<b>%100</b>
<b>Impairment</b>	<b>52,379,619</b>	<b>-</b>	<b>-</b>	<b>2,856,681</b>	<b>49,522,938</b>
<b>2023</b>	<b>Total</b>	<b>≤90 Days</b>	<b>91 – 180 Days</b>	<b>181 – 365 Days</b>	<b>&gt;365 Days</b>
<b>Book value</b>	<b>57,869,810</b>	<b>1,331,334</b>	<b>3,853,978</b>	<b>630,409</b>	<b>52,054,089</b>
<b>Loss ratio</b>	<b>90.21%</b>	<b>0%</b>	<b>0%</b>	<b>23.99%</b>	<b>100%</b>
<b>Impairment</b>	<b>52,205,336</b>	<b>-</b>	<b>-</b>	<b>151,247</b>	<b>52,054,089</b>

**7. PREPAID EXPENSES AND OTHER DEBIT BALANCES**

	<b>2024</b>	2023
Prepaid insurance expense	<b>329,141</b>	365,910
Value added tax deposits	<b>-</b>	66,956
Custody of development expenses	<b>-</b>	5,951,840
Other debit balances	<b>66,624</b>	30,000
	<b>395,765</b>	6,414,706

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**8. 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:

<b>Related party</b>	<b>Nature of relationship</b>	<b>Nature of transactions</b>	<b>Volume of transactions for the year ended December 31,</b>		<b>Balance as of December 31,</b>	
			<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Awal Al Malqa Real Estate Company	Subsidiary to custodian	Expenses paid on behalf of the Company Repayments	<b>10,887</b> <b>(10,887)</b>	20,703 (20,703)	<b>18,781</b>	18,781
					<b>18,781</b>	18,781

Alkhabeer Capital Company established Awal Al Malqa Real Estate Company, a limited liability company ("Special Purpose Vehicle"), registered under commercial registration No. 1010893802 on Shawwal 19, 1438H (corresponding to July 13, 2017). The company was created for the purpose of holding and registering real estate assets related to investment properties funds in the company's name. The fund contributed an amount of SR 20,000 as the capital of Awal Al Malqa Real Estate Company.

The title deeds of the properties have been registered under the name of Awal Al Malqa Real Estate Company, and the company has confirmed that it holds these properties on behalf of the fund. Since the fund is the beneficiary of these properties, they have been recorded in the fund's financial statements.

b) Due to related parties comprises the following:

<b>Related parties</b>	<b>Nature of relationship</b>	<b>Nature of transactions</b>	<b>Volume of transactions for the year ended December 31,</b>		<b>Balance as of December 31,</b>	
			<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Alkhabeer Capital Company	Fund Manager	Finance restructuring expenses*	-	1,300,000		
		Management fees	<b>9,218,174</b>	8,998,722		
		Administration fees	<b>307,272</b>	299,957		
		Repayments	<b>(10,973,441)</b>	(10,975,946)	<b>4,782,971</b>	6,230,966
Alinma Investment Company	Custodian	Custody fees	<b>479,003</b>	492,636		
		Repayments	-	(447,180)	<b>1,113,469</b>	634,466
Fund's Board of Directors	Board of Directors	Compensations to Independent Fund Board Members of Directors	<b>34,000</b>	34,000		
		Repayments	<b>(34,000)</b>	(55,000)	<b>21,000</b>	21,000
Unit holders	Unit holders	Settlement of dividends against receivable	<b>5,859,000</b>	4,394,250	-	-
					<b>5,917,440</b>	6,886,432

\* According to fund's terms and conditions, the Fund manager is entitled to financing re-structuring fee 1.5% of the financing amount. On December 26, 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 September 7, 2031, with financing structuring fee amounted to SR 11 million, however, upon approval by 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.

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**NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Saudi Riyal)**9. LEASES****a) Right of use asset**

The movement in right of use asset is as follows:

	Leased Land	Building - Investment Property	2024
<b><u>Cost:</u></b>			
Balance at the beginning of the year	19,132,408	162,125,001	181,257,409
Additions during the year	-	1,611,398	1,611,398
Transfers during the year (note 7)	-	5,951,840	5,951,840
<b>Balance at the end of the year</b>	<b>19,132,408</b>	<b>169,688,239</b>	<b>188,820,647</b>
<b><u>Accumulated depreciation:</u></b>			
Balance at the beginning of the year	5,154,393	43,071,847	48,226,240
Charged for the year	1,048,351	9,258,506	10,306,857
<b>Balance at the end of the year</b>	<b>6,202,744</b>	<b>52,330,353</b>	<b>58,533,097</b>
<b>Balance as at December 31</b>	<b>12,929,664</b>	<b>117,357,886</b>	<b>130,287,550</b>
	Leased Land	Building - Investment Property	2023
<b><u>Cost:</u></b>			
Balance at the beginning of the year	19,132,408	160,649,082	179,781,490
Additions during the year	-	1,475,919	1,475,919
<b>Balance at the end of the year</b>	<b>19,132,408</b>	<b>162,125,001</b>	<b>181,257,409</b>
<b><u>Accumulated depreciation:</u></b>			
Balance at the beginning of the year	4,106,042	34,199,803	38,305,845
Charged for the year	1,048,351	8,872,044	9,920,395
<b>Balance at the end of the year</b>	<b>5,154,393</b>	<b>43,071,847</b>	<b>48,226,240</b>
<b>Balance as at December 31</b>	<b>13,978,015</b>	<b>119,053,154</b>	<b>133,031,169</b>

Right of use asset represents the lease land which owned by the Tabuk Municipality, which was leased to Suleiman Al-Qudaibi Sons Contracting Company for 25 years to build commercial mall. a contract for the assignment of the leasehold rights was signed between Suleiman Al-Qudaibi Sons Contracting Company, and the fund, with the approval of the Tabuk Municipality, after the construction of the commercial mall on the leased land was completed. As a result, the land and the commercial mall are now subject to the agreement for the right-of-use asset. The fund has paid the rent for the building in advance to Suleiman Al-Qudaibi Sons Contracting Company and continued the lease term related to the land lease for the remaining period of the main lease contract, which is 18 years.

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

Property Name	Property Type	Valuation Method	Location	Discount rate as of December 31,		Fair Value of at December 31,	
				2024	2023	2024	2023
Gallery Mall	Commercial	Income approach	Tabuk	10% - 11%	11.05%-11.32%	137,831,000	150,345,000

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The right-of-use asset was appraised by two certified and licensed real estate valuers accredited by the Saudi Authority for Accredited Valuers ("Taqeem").

The Fund appointed two independent valuers to assess the right-of-use asset as of December 31, 2024, as follows:

	<b>Accredited valuer</b>	<b>License Number</b>
Esnad real estate valuation company	Almohaned Alhosami	1210000934
21 Century real estate valuation company and partner	Alwaleed Alzoman	1210000038

**b) Lease liabilities**

The movement in lease liabilities is as follows:

	<b>2024</b>	<b>2023</b>
Balance at the beginning of the year	<b>14,824,736</b>	15,621,118
Paid during the year	<b>(1,579,000)</b>	(1,579,000)
Interest charge during the year	<b>744,754</b>	782,618
<b>Total lease liabilities at the end of the year</b>	<b>13,990,490</b>	14,824,736

Lease liabilities are classified as follows:

	<b>2024</b>	<b>2023</b>
Current portion	<b>1,110,437</b>	1,082,497
Non-current portion	<b>12,880,053</b>	13,742,239
<b>Total lease liabilities</b>	<b>13,990,490</b>	14,824,736

The weighted average borrowing rate applied to lease liabilities was 5.01% (2023: 5.01%). The total interest expense on lease liabilities for the year ended December 31, 2024, amounted to SR 744,754 (compared to SR 782,618 for the year ended December 31, 2023).

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

The analysis of lease liabilities is as follows:

	<b>2024</b>	<b>2023</b>
Within one year	<b>1,110,437</b>	1,082,497
From two to 5 years	<b>3,973,202</b>	4,016,003
More than 5 years	<b>8,906,851</b>	9,726,236
	<b>13,990,490</b>	14,824,736

**10. INVESTMENT PROPERTIES**

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

	<b>2024</b>	<b>2023</b>
Residential and commercial properties and lands	<b>1,778,095,000</b>	1,858,045,000
Development costs	<b>8,795,139</b>	6,746,045
Accumulated depreciation	<b>(156,948,770)</b>	(126,895,269)
Accumulated impairment	<b>(20,945,132)</b>	(49,556,737)
	<b>1,608,996,237</b>	1,688,339,039

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

	2024	2023
Balance at the beginning of the year	49,556,737	66,208,772
Reversal of impairment	(17,034,355)	(16,652,035)
Disposals during the year	(11,577,250)	-
	<u>20,945,132</u>	<u>49,556,737</u>

c) The movement details on investment properties related to the Fund is as follows:

<u>2024:</u>	<u>Lands*</u>	<u>Residential and commercial properties*</u>	<u>Total</u>
<b><u>Cost:</u></b>			
Balance at January 1, 2024	519,975,542	1,344,815,503	1,864,791,045
Additions during the year	-	2,049,094	2,049,094
Disposals during the year	(56,000,000)	(23,950,000)	(79,950,000)
<b>Balance at December 31, 2024</b>	<b>463,975,542</b>	<b>1,322,914,597</b>	<b>1,786,890,139</b>
<b><u>Accumulated depreciation:</u></b>			
Balance at January 1, 2024	-	126,895,269	126,895,269
Charge for the year	-	33,047,251	33,047,251
Disposals during the year	-	(2,993,750)	(2,993,750)
<b>Balance at December 31, 2024</b>	<b>-</b>	<b>156,948,770</b>	<b>156,948,770</b>
<b>Net book value as of December 31, 2024</b>	<b>463,975,542</b>	<b>1,165,965,827</b>	<b>1,629,941,369</b>
Accumulated Impairment			<u>(20,945,132)</u>
<b>Balance at December 31, 2024</b>			<b><u>1,608,996,237</u></b>

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

\* The residential and commercial properties and lands mentioned and detailed in Note (11) are pledged to a local bank under a credit facilities agreement amounting to SR 1,786,890,139 (2023: SR 1,864,791,045), except for Akun warehouses.

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d) The investment properties consist of the following projects:

<u>December 31, 2024</u>								
Property name	Property type	Property location	Acquisition and development cost	Accumulated depreciation	Accumulated Impairment	Net book value	Fair value	
Palazzo Center	Retail	Riyadh	95,632,500	(7,084,877)	(18,723,073)	69,824,550	69,824,550	
Al-Malqa Complex	Residential	Riyadh	322,795,139	(39,519,427)	-	283,275,712	296,144,500	
Elite Center	Multiple use	Jeddah	164,000,000	(15,951,814)	-	148,048,186	158,793,500	
Ahlan Court Center	Retail	Jeddah	71,750,000	(2,263,236)	(204,764)	69,282,000	69,282,000	
Bin 2 Center	Multiple use	Jeddah	92,250,000	(8,760,101)	-	83,489,899	96,197,500	
Vision Colleges (formerly known as Al-Farabi Colleges)	Educational	Riyadh	215,250,000	(19,625,450)	-	195,624,550	210,074,900	
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Educational	Riyadh	66,625,000	(4,330,733)	-	62,294,267	81,346,700	
Elegance Tower	Offices	Riyadh	424,350,000	(35,791,437)	-	388,558,563	487,372,600	
Vision Educational Colleges - Jeddah	Educational	Jeddah	107,500,000	(8,217,055)	(2,017,295)	97,265,650	97,265,650	
Akun warehouses	Logistics	Jeddah	226,737,500	(15,404,640)	-	211,332,860	212,010,000	
			<b>1,786,890,139</b>	<b>(156,948,770)</b>	<b>(20,945,132)</b>	<b>1,608,996,237</b>	<b>1,778,311,900</b>	

Movement in impairment during the year is as follows:

<u>December 31, 2024</u>				
Property name	Accumulated impairment at the beginning of the year	Reversal of impairment for the year	Disposal during the year	Accumulated impairment at the end of the year
B&Q Commercial Center (formerly known as Homeworks Center) *	(11,577,250)	-	11,577,250	-
Palazzo Center	(20,908,438)	2,185,365	-	(18,723,073)
Al-Malqa Complex	(1,841,904)	1,841,904	-	-
Ahlan Court Center	(3,749,283)	3,544,519	-	(204,764)
Vision Educational Colleges - Jeddah	(4,985,676)	2,968,381	-	(2,017,295)
Akun warehouses	(6,494,186)	6,494,186	-	-
	<b>(49,556,737)</b>	<b>17,034,355</b>	<b>11,577,250</b>	<b>(20,945,132)</b>

\*On March 5, 2024, the property of the B&Q Commercial Center (formerly known as Home Works Center) was sold for SR 87.6 million, with the pledge on the property being released. The average valuation by accredited valuers for the year ending December 31, 2023, was also relied upon.

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<b><u>December 31, 2023</u></b>	<b>Property</b>	<b>Property</b>	<b>Acquisition and</b>	<b>Accumulated</b>	<b>Accumulated</b>		
<b>Property name</b>	<b>type</b>	<b>location</b>	<b>development cost</b>	<b>depreciation</b>	<b>Impairment</b>	<b>Net book value</b>	<b>Fair value</b>
B&Q Commercial Center (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
			<b>1,864,791,045</b>	<b>(126,895,269)</b>	<b>(49,556,737)</b>	<b>1,688,339,039</b>	<b>1,818,241,000</b>

Movement in impairment during the year is as follows:

### **December 31, 2023**

<b>Property name</b>	<b>Accumulated impairment at the beginning of the year</b>	<b>Reversal / (Impairment) for the year</b>	<b>Accumulated impairment at the end of the year</b>
B&Q Commercial Center (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)
	<b>(66,208,772)</b>	<b>16,652,035</b>	<b>(49,556,737)</b>



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The following are the major assumptions used in determining the fair value of investment properties as at December 31, 2024:

<b>Property Name</b>	<b>Valuation Method</b>	<b>Discount Rate</b>
Palazzo Center	Income approach	9% - 10.37%
Al-Malqa Complex	Income approach	9.55% - 11%
Elite Center	Income approach	10% - 10.1%
Ahlan Court Center	Income approach	10% - 10.15%
Bin 2 Center	Income approach	9.55% - 12%
Vision Colleges (formerly known as Al-Farabi Colleges)	Income approach	9.4% - 9.5%
Vision Colleges Training Center (formerly known as Al-Farabi Colleges)	Income and cost approach	10%
Elegance Tower	Income approach	9% - 9.3%
Vision Educational Colleges - Jeddah	Income approach	9.34% - 9.5%
Akun warehouses	Income approach	9.5 - 9.75%

The investment properties were appraised by two certified and licensed real estate valuers accredited by the Saudi Authority for Accredited Valuers ("Taqeem").

The Fund appointed two independent valuers to assess the right-of-use asset as of December 31, 2024, as follows:

	<b>Accredited valuer</b>	<b>License Number</b>
Esnad real estate valuation company	Almohaned Alhosami	1210000934
21 Century real estate valuation company and partner	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 Regulation issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the fund manager evaluates the fund's assets based on the average of two appraisals conducted by independent valuers. As stated in the fund's terms and conditions, the reported net asset value is based on the market value obtained. However, in accordance with IFRS 40, the fund has chosen to use the cost method, where investment properties are recorded at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, the fair value is disclosed for illustrative purposes and has not been recognized in the fund's books.

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

	<b>2024</b>	<b>2023</b>
Cost of investment properties and right of use asset	<b>1,975,710,786</b>	2,046,048,454
Accumulated depreciation	<b>(215,481,867)</b>	(175,121,509)
<b>Net value of investment properties and right of use asset</b>	<b>1,760,228,919</b>	1,870,926,945
Change in fair value	<b>155,913,981</b>	97,659,055
<b>Fair value of investment properties and right of use asset</b>	<b>1,916,142,900</b>	1,968,586,000

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b) The equity attributable to unitholders at fair value method consists of the following:

	<b>2024</b>	<b>2023</b>
Equity attributable to unitholders	<b>1,045,723,564</b>	1,045,608,726
Unrealized gains from revaluation	<b>176,859,113</b>	147,215,792
<b>Net asset at fair value</b>	<b>1,222,582,677</b>	1,192,824,518

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

	<b>2024</b>	<b>2023</b>
Equity per unit (SR per unit)	<b>7.4160</b>	7.4152
Unrealized gains from revaluation per unit (SR per unit)	<b>1.2543</b>	1.0440
<b>Net equity per unit - (SR per unit) at fair value</b>	<b>8.6703</b>	8.4592

## **11. CREDIT FACILITIES**

a) On January 8, 2019, a credit facilities agreement was signed between the fund and a local bank to obtain a bank loan amounting to SR 737.5 million as of December 31, 2024 (2023: SR 737.5 million). This facility was primarily obtained under a financing agreement for the fund. The facility is secured by rental collections, with residential, commercial properties, and land mortgaged to the bank. These facilities is charged with financing fees based on prevailing rates in the Saudi interbank lending market (6-month SIBOR + 2.25% - 2.50% annually) and is due for repayment 5 years from the start of the facility. On December 26, 2023, a modification and restructuring agreement for the credit facilities was signed, extending the repayment period by an additional 6 years, due on September 7, 2031. The transfer fee was amended to (6-month SIBOR + 1.65%), as described in the loan agreement. The fund has financial covenants with the bank, including the debt-to-equity ratio and the profit service coverage ratio, and the fund has complied with all these covenants as of December 31, 2024, and December 31, 2023. Additionally, an extra provision for an overdraft facility of SR 30 million was added to the maximum limit of SR 1 billion, with an unutilized balance of SR 262.5 million.

b) The details of the financing costs in statement of profit or loss are as follows:

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
The interest charged on lease liabilities – (Note 9)	<b>744,754</b>	782,618
Finance cost from credit facilities	<b>57,065,298</b>	56,569,269
Net gains from the settlement of the interest rate swap instrument – (Note 19)	<b>(16,882,436)</b>	(25,526,022)
	<b>40,927,616</b>	31,825,865

The fund has hedging agreements with local banks to fix the profit margin of the utilized facilities in order to protect the fund from fluctuations in the profit margin during the term of these facilities. This resulted in gains from the settlement of the interest rate swap instrument during the year ended December 31, 2024, amounting to SR 16.9 million (2023: SR 25.5 million), as mentioned in Note (19).

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**12. ACCRUED EXPENSES AND OTHER CREDIT BALANCES**

	2024	2023
Unearned rental income	21,123,288	23,854,758
Accrued dividends	14,805,929	14,805,929
Accrued finance cost	15,164,878	10,326,777
Accrued value added tax	4,093,273	-
Accrued professional and consulting fees	218,500	256,000
Accrued properties management fees	90,968	1,176,083
Accrued expenses from rescheduling of credit facilities	-	1,000,000
Other credit balances	886,637	4,340,397
	<b>56,383,473</b>	<b>55,759,944</b>

**13. 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 (Such as: payments based on performance or usage) when earned. When the Fund provides incentives to its tenants, the cost of incentives is recognized using the straight-line method as a reduction of rental income.

The contracts include a fixed price, and the tenant pays according to the payment schedule. If the services provided by the Fund exceed the amount paid, an accrued rental income is recognized, conversely, if the payments received exceed the provided service, an unearned rental income is recognized.

As of December 31, revenue from lease contracts were as follows:

	2024	2023
Within one year	111,987,403	131,633,089
From two to 5 years	283,233,203	337,860,960
More than 5 years	629,707,019	706,992,307
	<b>1,024,927,625</b>	<b>1,176,486,356</b>

**14. OTHER EXPENSES**

	<b>For the year ended December 31,</b>	
	2024	2023
Utilities expenses	1,675,514	2,304,630
Properties insurance expense	977,284	802,621
Registration and listing fees	670,459	693,108
Investment properties valuation fees	347,300	299,925
Consulting and legal fees	307,040	486,829
Rescheduling expenses of credit facilities	-	2,300,000
Other expenses	868,540	304,581
	<b>4,846,137</b>	<b>7,191,694</b>

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#### **15. ADMINISTRATIVE FEES AND OTHER EXPENSES**

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

##### **a) Administrative fees**

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

##### **b) Management fees**

The Fund Manager is entitled to receive a fee equal to 9% annually (as stated in the Fund's terms and conditions of the Fund) of net rental proceeds or 0.75% of the net asset value according to the latest valuation of the Fund - whichever is lower - on a quarterly basis.

##### **c) Custody fees**

The Custodian is entitled to receive a fee equal to 0.025% annually (as stated in the Fund's terms and conditions of the Fund) of the total assets, or a minimum of SR 200,000 per year, in addition to a one-time fee of SR 50,000 calculated and accrued on each valuation day.

##### **d) Subscription fees**

Subscription fees are waived 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 capital increases of the fund, 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 fee equal to 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 fee equal to 1.5% of the drawn 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.

**ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024**  
(Expressed in Saudi Riyal)**16. ZAKAT BASE**

In accordance with the Zakat levy rules for investors in investment fund, the investment funds are not required to pay zakat, and only an informational declaration is provided regarding the calculation of the zakat base for the fund. The details of the zakat base are as follows:

	<u>2024</u>
<b><u>Adjustments to net adjusted profit:</u></b>	
Book profit for the year	<u>59,338,554</u>
<b>Adjusted profit for the year</b>	<u>59,338,554</u>
<b><u>Zakat base:</u></b>	
Equity attributable to unitholders	1,045,723,564
Accrued dividends	14,805,929
Due to related parties	5,917,440
Long-term loans	737,500,000
Additions and other liabilities	12,880,053
Book value of non-current assets based on authority	<u>(1,739,283,787)</u>
<b>Zakat base</b>	<u>77,543,199</u>
<b>Fund's zakat base is the higher of zakat base and adjusted profit</b>	<u>77,543,199</u>
The value of zakat according to the fund's zakat base	<u>2,004,259</u>
Outstanding units	<u>141,008,848</u>
<b>The value of zakat per unit</b>	<u>0.0142</u>
	<u>2023</u>
<b><u>Adjustments to net adjusted profit:</u></b>	
Book profit for the year	35,135,066
Charge to provision for expected credit losses	<u>2,205,336</u>
<b>Adjusted profit for the year</b>	<u>37,340,402</u>
<b><u>Zakat base:</u></b>	
Equity attributable to unitholders	1,045,608,726
Opening balance provisions	50,000,000
Long-term loans	752,324,736
Accrued dividends	14,805,292
The difference between the adjusted profit and the book profit	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>
<b>Zakat base</b>	<u>63,135,574</u>
<b>Fund's zakat base is the higher of zakat base and adjusted profit</b>	<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>
<b>The value of zakat per unit</b>	<u>0.0115</u>

## **ALKHABEER REIT FUND – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Saudi Riyal)**

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#### **17. 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.

#### **18. DIVIDENDS**

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

<b>Approval Date</b>	<b>Dividends for the period</b>	<b>Amount per Unit</b>	<b>Total (SR)</b>
<b><u>2024</u></b>			
<b>January 31, 2024</b>	<b>October 1, 2023 to December 31, 2023</b>	<b>0.105</b>	<b>14,805,929</b>
<b>April 30, 2024</b>	<b>January 1, 2024 to March 31, 2024</b>	<b>0.105</b>	<b>14,805,929</b>
<b>July 30, 2024</b>	<b>April 1, 2024 to June 30, 2024</b>	<b>0.105</b>	<b>14,805,929</b>
<b>October 30, 2024</b>	<b>July 1, 2024 to September 30, 2024</b>	<b>0.105</b>	<b>14,805,929</b>
			<b><u>59,223,716</u></b>
<b><u>2023</u></b>			
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
			<b><u>59,223,716</u></b>

#### **19. HEDGING AGREEMENTS**

On November 19, 2019, the fund entered into a profit rate swap agreement with a nominal value of SR 340 million with Banque Saudi Fransi to fix the margin on the facilities at a fixed profit rate of 4.69%. The contract became effective on January 31, 2020. The purpose of the contract was to manage the fund's cash flow risks associated with the profit rate. The contract expired on January 10, 2024.

On July 27, 2021, a "Sharia Compliant Hedging Agreement" was signed 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 financing term from September 1, 2021 to September 7, 2025.

On October 30, 2024, a Sharia-compliant hedging agreement was signed with Al Rajhi Bank for an amount of SR 170 million, representing 50% of the facilities used in the initial offering, to fix the SIBOR rate at a fixed rate of 5.04%. This agreement aims to protect the fund from fluctuations in the SIBOR rate during the term of these facilities, from February 4, 2025, to February 4, 2030.

#### **20. LAST VALUATION DATE**

The last valuation date during the year is December 31, 2024.

#### **21. RISK MANAGEMENT**

The Fund's activities are exposed 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 – Expressed in Saudi Riyal**

(Managed by Alkhabeer Capital Company)

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Expressed in Saudi Riyal)**

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#### **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 19).

##### **Price risk**

Price risk is the risk that the fair value of 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, due from a related party, and other debit 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 reporting, 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 history of delay on any of the bank balances. Therefore, the likelihood of default is based on forward-looking factors and any loss of resulting from default are consider negligible. As of the reporting date, there are no past-due payment obligation.

Due from a related party and other debit balances are unsecured, non-interest-bearing, and have no fixed repayments. There are no past-due balances from related parties as of the reporting date, it was overdue, taking into account the historical experience of default and the future of the industries in which the related parties operate. The management considers that the related parties balances are not impaired.

When calculating the provision for expected credit losses for receivables and due from a related party, a provision matrix is used based on historical loss rates over the expected lifetime of the receivables, adjusted for future estimates.

The Fund's maximum undiscounted exposure to credit risks for the components of the financial position and the related expected credit loss is as follows:

	Note	2024	2023
Cash and cash equivalents	5	108,023,128	27,111,669
Accounts receivable	6	11,793,506	5,664,474
Custody of development expenses and other debit balances	7	-	5,981,840
Due from a related party	8 - a	18,781	18,781



**ALKHABEER REIT FUND – Expressed in Saudi Riyal**

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**NOTES TO THE FINANCIAL STATEMENTS  
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Liquidity risk is the risk that an entity may encounter difficulties in securing the necessary liquidity to meet its financial instrument obligations. Liquidity risk may arise from the inability to sell a financial asset quickly and at a value close to its fair value. Liquidity risks are managed by periodically ensuring the availability of sufficient liquidity. As of December 31, 2023, the fund's current liabilities exceeded its current assets by SR 24,519,243. Additionally, as of that date, the balances of unearned rental income and due to related parties (components of current liabilities) amounted to SR 30,741,190. Therefore, the fund does not have a significant working capital deficiency.

<b>December 31, 2024</b>	<b>Book value</b>	<b>Less than one year</b>	<b>More than one year</b>
<b><u>Non-derivative financial liabilities</u></b>			
Credit facilities	737,500,000	-	737,500,000
Due to related parties	5,917,440	5,917,440	-
Lease liabilities	13,990,490	1,110,437	12,880,053
Accrued expenses and other credit balances	56,383,473	56,383,473	-
	<b>813,791,403</b>	<b>63,411,350</b>	<b>750,380,053</b>
<hr/>			
<b>December 31, 2023</b>	<b>Book value</b>	<b>Less than one year</b>	<b>More than one year</b>
<b><u>Non-derivative financial liabilities</u></b>			
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	-
	<b>814,971,112</b>	<b>63,728,873</b>	<b>751,242,239</b>

**22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****Fair value hierarchy**

The Fund uses valuation techniques that are appropriate under the prevailing 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 measured at fair value.

**23. OPERATING SEGMENTS**

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

**24. SUBSEQUENT EVENTS**

On January 29, 2025, the fund's Board of Directors approved a dividend distribution for the period from October 1, 2024, to December 31, 2024, amounting to SR 0.105 per unit, with a total of SR 14,805,929 to unitholders.

**25. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements have been approved by the Fund's Board of Directors for the year ended December 31, 2024 on Ramadan 20, 1446H (March 20, 2025).

