

# **DERAYAH REIT FUND**

**A Closed – ended Real Estate Investments Traded Fund**

**(Managed by Derayah Financial Company)**

Interim Condensed Financial Statements (Unaudited)

For the six-month period ended 30 June 2023

Together with the

Independent Auditor's Review Report to the Unitholders

**DERAYAH REIT FUND**  
**A Closed –ended Real Estate Investments Traded Fund**  
**(Managed by Derayah Financial Company)**

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**Interim Condensed Financial Statements (Un-Audited)**  
**For the six-month period ended 30 June 2023**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

### TO THE UNITHOLDERS OF DERAYAH REIT FUND

#### INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of DERAYAH REIT FUND'' (the "Fund"), managed by Derayah Financial Company (the Fund Manager) as at 30 June 2023 and the related interim condensed statement of comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

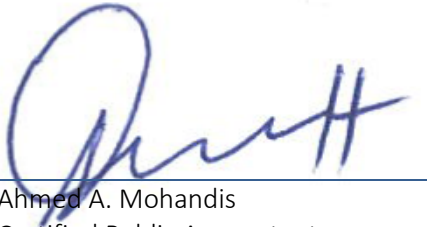
#### SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 27 Muharram 1445H  
Corresponding to: 14 August 2023



**DERAYAH REIT FUND**  
**A Closed –ended Real Estate Investments Traded Fund**  
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**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2023**

	<b>Note</b>	<b>30 June 2023 (Un-Audited) SAR</b>	<b>31 December 2022 (Audited) SAR</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	<b>3,977,759</b>	2,225,214
Rent receivables, net	5	<b>62,184,008</b>	65,602,113
Investments carried at fair value through profit or loss	6	-	5,739,905
Prepaid expenses and other receivables	7	<b>518,322</b>	948,322
<b>TOTAL CURRENT ASSETS</b>		<b>66,680,089</b>	74,515,554
<b>NON-CURRENT ASSETS</b>			
Investment properties, net	8	<b>1,540,544,176</b>	1,552,756,261
Benefit contracts, net	9	<b>30,180,942</b>	31,104,552
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,570,725,118</b>	1,583,860,813
<b>TOTAL ASSETS</b>		<b>1,637,405,207</b>	1,658,376,367
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Unearned rental income		<b>14,932,252</b>	10,685,233
Accrued management fees	11	<b>4,473,269</b>	4,427,609
Accrued finance expenses	13	<b>3,023,043</b>	2,399,565
Due to related parties	11	<b>1,606,115</b>	136,000
Accrued expenses and other liabilities		<b>5,957,577</b>	4,744,217
Zakat provision	12	<b>6,749,709</b>	5,964,130
<b>TOTAL CURRENT LIABILITIES</b>		<b>36,741,965</b>	28,356,754
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	13	<b>747,982,834</b>	747,982,834
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>747,982,834</b>	747,982,834
<b>TOTAL LIABILITIES</b>		<b>784,724,799</b>	776,339,588
<b>Net assets attributable to the Unitholders</b>		<b>852,680,408</b>	882,036,779
Units in issue ( <i>numbers</i> )		<b>107,507,035</b>	107,507,035
<b>Book value attributable to each unit</b>		<b>7.93</b>	8.20
<b>Fair value attributable to each unit</b>	10	<b>8.42</b>	8.38

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

**DERAYAH REIT FUND**  
**A Closed –ended Real Estate Investments Traded Fund**  
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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

For the six-month period ended 30 June 2023

	Note	30 June 2023 (Un-Audited) SAR	30 June 2022 (Un-Audited) SAR
<b>INCOME</b>			
Rental income, net		49,271,310	62,288,441
Unrealized gain from investments carried at FVTPL		-	158,417
Realized gain from Investments carried at FVTPL	6	102,371	-
Other revenue		201,420	-
<b>Total income from operations</b>		<b>49,575,101</b>	<b>62,446,858</b>
<b>EXPENSES</b>			
Depreciation expense on investment properties	8	(10,260,417)	(10,504,605)
(provision) /Reverse of impairment on investment properties	8	(2,259,198)	2,697,923
Fund management fees	11	(3,889,799)	(3,807,436)
Finance expenses	13	(27,067,585)	(13,716,273)
Professional expenses		(327,408)	(381,417)
Properties management fees		(1,921,939)	(1,975,681)
Amortization of benefit contracts	9	(923,610)	(972,221)
Expected credit loss expense	5	(2,580,769)	(2,863,923)
Other expenses		(1,823,395)	(1,784,419)
<b>Total expenses</b>		<b>(51,054,120)</b>	<b>(33,308,052)</b>
<b>Net (loss) / income before zakat</b>		<b>(1,479,019)</b>	<b>29,138,806</b>
Zakat	12	(785,579)	(1,832,734)
<b>Net (loss) / income for the period</b>		<b>(2,264,598)</b>	<b>27,306,072</b>
Other comprehensive income		-	-
<b>Total comprehensive (loss) / income for the period</b>		<b>(2,264,598)</b>	<b>27,306,072</b>

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

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**INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**ATTRIBUTABLE TO THE UNIT HOLDERS**  
**For the six-month period ended 30 June 2023**

	<b>Note</b>	<b>30 June 2023</b> <b>(Un-Audited)</b>	<b>30 June 2022</b> <b>(Un-Audited)</b>
		<b>SAR</b>	<b>SAR</b>
<b>Net assets value attributable to the Unit holders at the beginning of the period</b>		<b>882,036,779</b>	910,107,433
Dividends	14	<b>(27,091,773)</b>	(38,702,533)
Net comprehensive (loss) / income for the period		<b>(2,264,598)</b>	27,306,072
<b>Net assets value attributable to the Unitholders at the end of the period</b>		<b>852,680,408</b>	898,710,972

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

**DERAYAH REIT FUND**  
**A Closed –ended Real Estate Investments Traded Fund**  
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**INTERIM CONDENSED STATEMENT OF CASH FLOWS**  
**For the six-month period ended 30 June 2023**

	<u>Note</u>	<b>30 June 2023</b> <b>(Un-Audited)</b>	30 June 2022 <b>(Un-Audited)</b>
		<b>SAR</b>	<b>SAR</b>
<b>OPERATING ACTIVITIES</b>			
Net (loss) / income for the period before zakat		<b>(1,479,019)</b>	29,138,806
<i>Adjustments to reconcile net (loss) / income to net cash from operating activities:</i>			
Unrealized gains on investments carried at FVTPL		-	(158,417)
Realized gain from investments carried at FVTPL	6	<b>(102,371)</b>	-
Financing expenses	13	<b>27,067,585</b>	-
Expected credit losses	5	<b>2,580,769</b>	-
Depreciation on investment properties	8	<b>10,260,417</b>	10,504,605
Impairment on investment properties	8	<b>2,259,198</b>	(2,697,923)
Amortization of benefit contracts	9	<b>923,610</b>	972,221
		<b>41,510,189</b>	37,759,292
<b>Changes in operating assets:</b>			
Payments for the purchase of investment properties	8	<b>(307,530)</b>	(1,189,111)
Rent receivables	5	<b>837,336</b>	(3,122,951)
Prepaid expenses and other receivables	7	<b>430,000</b>	(2,260,254)
<b>Changes in operating Liabilities:</b>			
Unearned rental income		<b>4,247,019</b>	1,769,216
Accrued management fees	11	<b>45,660</b>	(103,619)
Accrued financing expense		-	2,393,337
Due to related parties		<b>1,470,115</b>	-
Accrued expenses and other liabilities		<b>1,213,360</b>	(560,718)
<b>Net cash generated from operating activities</b>		<b>49,446,149</b>	34,685,192
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of investment carried at fair value in income statement	6	<b>5,842,276</b>	845,950
<b>Net cash generated from investing activities</b>		<b>5,842,276</b>	845,950
<b>FINANCING ACTIVITIES</b>			
Dividends	14	<b>(27,091,773)</b>	(38,702,533)
Finance expense payments	13	<b>(26,444,107)</b>	-
<b>Net cash used in financing activities</b>		<b>(53,535,880)</b>	(38,702,533)
<b>Change in cash and cash equivalents during the period</b>		<b>1,752,545</b>	(3,171,391)
Cash and cash equivalents at the beginning of the period	4	<b>2,225,214</b>	24,072,849
<b>Cash and cash equivalents at the end of the period</b>	4	<b>3,977,759</b>	20,901,458

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements.

**DERAYAH REIT FUND**  
**A Closed –ended Real Estate Investments Traded Fund**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2023**

**1) THE FUND AND ITS ACTIVITIES**

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

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

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

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

**2) BASES OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

**2-1 Statement of compliance**

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered & Professional Accountants (“SOCPA”). And they should be read in conjunction with the latest annual financial statements of the fund for the year ended 31 December 2022. These interim condensed financial statements usually do not include all the information required to prepare the financial statements, but specific accounting policies and explanatory notes have been included to explain important events and transactions in order to understand the changes in the financial position and the company's performance since 31 December 2022.

**2-2 Basis of measurement**

The interim condensed financial statements have been prepared on the historical cost basis, except for investments carried at fair value through profit or loss.

**3-2 Regulating authority**

The Fund operates in accordance with the Real Estate Investment Funds Regulations issued by the CMA, which stipulates the requirements that real estate investment funds and real estate investment traded funds operating in the Kingdom should follow.

**4-2 Functional and presentation currency**

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

**5-2 New standards, amendments to standards and interpretations**

There are new standards and a number of amendments to the standards that are effective as of 1 January 2023, which were clarified in the fund's annual financial statements, but do not have a significant impact on the fund's interim condensed financial statements.



**DERAYAH REIT FUND**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2023**

**2) BASES OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**6-2 Significant accounting judgments and estimates**

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Fund's accounting policies and the main sources of estimates were the same as those applied to the financial statements for the year ended 31 December 2022.

**3) MANAGEMENT FEES AND OTHER EXPENSES**

On a semi-annual basis, the Fund Manager charges the Fund a management fee of 0.85% per annum of the Fund's net assets value (“NAV”). The fund manager shall also recover from the fund any other expenses incurred on behalf of the fund such as audit fees, legal fees, board compensation and other similar fees. Moreover, the fund manager charges a one-time transaction fee of 1% maximum on the purchase or sale price of real estate assets.

**4) CASH AND CASH EQUIVALENTS**

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Cash at bank	<b>3,977,759</b>	2,225,214
	<b>3,977,759</b>	2,225,214

**5) RENT RECEIVABLES , NET**

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Rent receivables	<b>91,217,606</b>	92,054,942
Expected credit loss provision	<b>(29,033,598)</b>	(26,452,829)
	<b>62,184,008</b>	65,602,113

**Movement in expected credit loss provision is summarized as follows:**

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Balance at the beginning of the period / year	<b>(26,452,829)</b>	(22,383,416)
Charge during the period / year	<b>(2,580,769)</b>	(4,069,413)
Balance at the end of the period /year	<b>(29,033,598)</b>	(26,452,829)

**DERAYAH REIT FUND**

A Closed –ended Real Estate Investments Traded Fund  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**

For the six-month period ended 30 June 2023

**6) INVESTMENTS CARRIED AT FVTPL**

<b>30 June 2023(Un-Audited)</b>	<b>Fund manager</b>	<b>Number of units</b>	<b>Cost</b>	<b>Market Value</b>
Al Rajhi Commodity Fund	Al Rajhi Capital	-	-	-

<b>31 December 2022(Audited)</b>	<b>Fund manager</b>	<b>Number of units</b>	<b>Cost</b>	<b>Market Value</b>
Al Rajhi Commodity Fund	Al Rajhi Capital	34,477	5,607,409	5,739,905

During the period, the fund sold investments carried at FVTPL, represented by Al Rajhi Commodity Fund, for an amount of SAR 5,842,276, realizing a profit of SAR 102,371.

**7) PREPAID EXPENSES AND OTHER RECEIVABLES**

	<b>30 June 2023 (Un-Audited)</b>	<b>31 December 2022 (Audited)</b>
Prepaid Expenses	<b>200,000</b>	263,333
Prepaid Rent	-	366,667
Other Receivables	<b>318,322</b>	318,322
	<b>518,322</b>	948,322

**8) INVESTMENT PROPERTIES, NET**

	<b><u>Land</u></b>	<b><u>Building</u></b>	<b><u>Total</u></b>
<b><u>Cost</u></b>			
Balance at the beginning of the period	843,638,767	870,545,647	1,714,184,414
Additions during the period	-	307,530	307,530
<b>Balance as at 30 June 2023</b>	<b>843,638,767</b>	<b>870,853,177</b>	<b>1,714,491,944</b>
<b><u>Accumulated Depreciation</u></b>			
Balance at the beginning of the period	-	(97,500,854)	(97,500,854)
Charge for the period	-	(10,260,417)	(10,260,417)
<b>Balance as at 30 June 2023</b>	<b>-</b>	<b>(107,761,271)</b>	<b>(107,761,271)</b>
<b><u>Impairment</u></b>			
Balance at the beginning of the period	-	(63,927,299)	(63,927,299)
Charge for the period	-	(2,259,198)	(2,259,198)
<b>Balance as at 30 June 2023</b>	<b>-</b>	<b>(66,186,497)</b>	<b>(66,186,497)</b>
<b><u>Book Value:</u></b>			
<b>Balance as at 30 June 2023</b>	<b>843,638,767</b>	<b>696,905,409</b>	<b>1,540,544,176</b>
Balance as at 31 December 2022	843,638,767	709,117,494	1,552,756,261

**DERAYAH REIT FUND****A Closed –ended Real Estate Investments Traded Fund  
(Managed by Derayah Financial Company)****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)****For the six-month period ended 30 June 2023****8) INVESTMENT PROPERTIES, NET (CONTINUED)****Investment properties consist of 25 properties and are as follows:**

1) Smart Tower: Office & Retail in Al-Olaya District, Riyadh.	14) Grand (B) Commercial Building: An educational property located in Anwar district, Dammam.
2) Jubail Views Residential Compound: A closed residential compound in Rawdah Al Khalidiya in Jubail.	15) Dammam Labor Housing: Two residential buildings for workers located in Mena district, Dammam
3) Mena Warehouses Complex: Three warehouses and its facilities (administrative and service offices) in Mena District, Dammam.	16) Jubail Employees Residential Buildings: Four residential buildings situated in three adjacent districts in the northern end of Jubail
4) The Grand (A) Residential Building: An integrated residential property located in Anwar district, Dammam.	17) Khobar Labor Housing: A residential building for workers n Thiqbh district, Khobar.
5) Education & Skills International School: An educational building located in Al-Deraiya.	18) AlKhaleejiah Business Center: A commercial and office building located in Rawabi district, Khobar.
6) Rasil Medical Center: A medical center building located in Mansourh district, Riyadh.	19) Jeddah Office Tower: An administrative and office building located in in Zuhara district, Jeddah.
7) City Life Plaza: A commercial property in Monsiya district, Riyadh.	20) Sulay Warehouses Complex: A group of walled warehouses located in Sulay district, Riyadh.
8) Al-Wadi District Warehouses: represents a warehouse and a residential building and is located in Wadi district, Jeddah.	21) Khalidiya District Warehouses (1): Two warehouses located in the northern of Khalidiyah district, Dammam.
9) Jeddah Khumarh Warehouses: a warehouse located in the Sarawat district in Jeddah	22) Dammam Labor Housing (2): Three residential buildings in Mena district, Dammam.
10) Aziziyah Warehouses (1): A warehouse located in Aziziyah district, Riyadh	23) Al-Khalidiyyah District Warehouses (2): A warehouse located in Khalidiyah district, Dammam.
11) Motoon Towers: A hotel property located in Olaya district, Riyadh.	24) Aziziyah Warehouses (2): A warehouse located in Aziziyah district, Riyadh.
12) Al-Fanar Commercial Complex: Commercial real estate in n Rakah district, Khobar.	25) AlSharq warehouse complex: Warehouses located in Sulay district, Riyadh.
13) - Al Steen Commercial Center: a commercial office building in AIDhubbat district, Riyadh.	

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**  
**For the six-month period ended 30 June 2023**

**8) INVESTMENT PROPERTIES, NET (CONTINUED)**

8-1 The Fund has a policy of charging depreciation on building over 40 years. Depreciation is charged on depreciable amount i.e., cost less residual value.

8-2 All properties are registered in the name of Hifz Al-Daraya Real Estate Company (the “Company”). The company maintains these properties for the benefit of ownership of the fund, and the company does not have any controlling shares, and this does not cause any risks to the properties.

8-3 All properties of Derayah REIT Fund are mortgaged to Al-Rajhi Bank as a guarantee for the long term borrowing to the Fund, provided that these deeds are released after the full value of the loans of Al-Rajhi Bank is paid (Note 13).

8-4 The Fund Manager shall periodically review its investment properties to determine whether there is any indication of impairment in assets value. Impairment is considered to be the decline of the amount by which the carrying value of the investment property exceeds its recoverable amount, which is the higher of the assets' fair value less selling cost and value of use. As on 30 June 2023, according to the periodic evaluation reports submitted by independent valuation experts of the fund, an impairment provision of investment properties was recorded in the amount of SAR 2.3 million, and as at 31 December 2022, part of the impairment recorded in past years has been reversed on the amount of SAR 4.4 million.

The average fair value of the investment properties has been rated as Level 3 fair value based on the inputs to the valuation techniques used.

**9) BENEFIT CONTRACTS, NET**

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
<b><u>Cost</u></b>		
Balance at the beginning of the period / year	<b>41,274,864</b>	41,274,864
Additions during the period / year	-	-
<b>Balance at the end of the period / year</b>	<b>41,274,864</b>	41,274,864
<b><u>Accumulated Amortization</u></b>		
Balance at the beginning of the period / year	<b>(10,170,312)</b>	(8,209,756)
Charge for the period / year	<b>(923,610)</b>	(1,960,556)
<b>Balance at the end of the period / year</b>	<b>(11,093,922)</b>	(10,170,312)
<b><u>Book Value:</u></b>		
<b>Balance at end of the period / year</b>	<b>30,180,942</b>	31,104,552

**Benefit contracts consist of property and its statement is as follows:**

- The Valley Commercial Center: a shopping center in AlAhssa.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)**

**For the six-month period ended 30 June 2023**

**10) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES & BENEFIT CONTRACTS ARE FAIR VALUED**

In accordance with Real Estate Investment Funds Regulations issued by the CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's Investments properties based on an average of two evaluations prepared by two independent evaluators. However, according to the Fund's accounting policy, investment property and Benefit contracts are stated at cost less accumulated depreciation and impairment, if any, in these interim condensed financial statements. Accordingly, fair value is disclosed below for the purpose of obtaining information and is not recorded in the Fund's books.

The fair value of investment properties and benefit contracts is determined by two valuers for each asset, One Alrai for Real Estate Appraisal, and Esnad (Accredited valuers by Saudi Authority for Accredited valuers). The following is an assessment of investment properties and benefit contracts as at 30 June 2023, 31 Dec 2022:

<b>30 June 2023 (Un-Audited)</b>	<b>First Appraiser</b>	<b>Second Appraiser</b>	<b>Average</b>
Investment properties	<b>1,566,318,498</b>	<b>1,609,424,000</b>	<b>1,587,871,249</b>
Benefit contracts	<b>33,200,330</b>	<b>37,847,000</b>	<b>35,523,665</b>
<b>Total</b>	<b>1,599,518,828</b>	<b>1,647,271,000</b>	<b>1,623,394,914</b>

<b>31 December 2022 (Audited)</b>	<b>First Appraiser</b>	<b>Second Appraiser</b>	<b>Average</b>
Investment properties	1,559,353,358	1,576,585,394	1,567,969,376
Benefit contracts	33,200,330	35,508,000	34,354,165
<b>Total</b>	<b>1,592,553,688</b>	<b>1,612,093,394</b>	<b>1,602,323,541</b>

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

The investment properties and benefit contracts were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, cost method, income method by market prices, and cash flow method. Below is an analysis of the investment properties fair value versus cost:

	<b>30 June 2023 (Un-Audited)</b>	31 December 2022 (Audited)
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	<b>1,623,394,914</b>	1,602,323,541
Less carrying value:		
Investment properties	<b>(1,540,544,176)</b>	(1,552,756,261)
Benefit contracts	<b>(30,180,942)</b>	(31,104,552)
The excess of estimated fair value over carrying value	<b>52,669,796</b>	18,462,728
Units in issue (numbers)	<b>107,507,035</b>	107,507,035
The additional share of the unit of estimated fair value	<b>0.49</b>	0.17

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**10) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES & BENEFIT CONTRACTS ARE FAIR VALUED (CONTINUED)**

*Net asset attributable to unit holders:*

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Net assets value attributable to unitholders as per the financial statements before fair value adjustment	<b>852,680,408</b>	882,036,779
Increase in estimated fair value over carrying value	<b>52,669,796</b>	18,462,728
Net assets value attributable to unitholders on the basis of fair value of investment properties	<b>905,350,204</b>	900,499,507

*Net asset attributable to each unit:*

	<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Carrying value of assets attributable to each unit as per the financial statements before fair value adjustment	<b>7.93</b>	8.20
The additional value of the unit based on fair value	<b>0.49</b>	0.17
Market value of assets attributable to each unit	<b>8.42</b>	8.38

**11) TRANSACTIONS AND BALANCE WITH RELATED PARTY**

Related parties to the Fund include Derayah Financial Company (Fund Manager), Al- Inma Investment Company (Custodian). The fund deals in the ordinary course of business with related parties. Related party transactions are governed by the restrictions of regulations issued by CMA. All transactions with related parties are approved by the Fund's Board of Directors.

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

<b>Related Party</b>	<b>Nature of relationship</b>	<b>Nature of Transactions</b>	<b>Amount of transactions of period</b>	
			<b>30 June 2023</b> <b>(Un-Audited)</b>	31 December 2022 <b>(Audited)</b>
Deraya Financial	Fund manager	Management fees	<b>3,889,799</b>	3,807,436
		Expenses paid on behalf	<b>1,414,115</b>	-
Al- Inma Investment Company	Custodian	Custody fees	<b>60,000</b>	60,000
BOD members	Board of Directors	Attendance allowances	<b>4,000</b>	4,000

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**11) TRANSACTIONS AND BALANCE WITH RELATED PARTY(CONTINUED)**

**1) Accrued Management Fees**

<b>Related Party</b>	<b>Nature of Transactions</b>	<b>30 June 2023 (Un-Audited)</b>	<b>31 December 2022 (Audited)</b>
Deraya Financial	Management fees	<b>4,473,269</b>	4,427,609
		<b>4,473,269</b>	4,427,609

**2) Due to related parties**

<b>Related Party</b>	<b>Nature of Transactions</b>	<b>30 June 2023 (Un-Audited)</b>	<b>31 December 2022 (Audited)</b>
Deraya Financial	Expenses paid on behalf	<b>1,414,115</b>	-
Al- Inma Investment Company	Custody fees	<b>180,000</b>	120,000
BOD members	Attendance allowances and bonuses	<b>12,000</b>	16,000
<b>Total</b>		<b>1,606,115</b>	136,000

**12) ZAKAT**

The movement in the provision for zakat is as follows:

	<b>30 June 2023 (Un-Audited)</b>	<b>31 December 2022 (Audited)</b>
Balance at the beginning of the period / year	<b>5,964,130</b>	4,084,149
Charge during the period / year	<b>785,579</b>	1,879,981
<b>Balance at the end of the period / year</b>	<b>6,749,709</b>	5,964,130

**13) BORROWINGS**

During the year ended 31 December 2020, the Fund obtained a long-term loan of SAR 168 million from Riyadh Bank for a period of seven years. The loan bears a variable commission and the commission is paid over the life of the loan on a semi-annual basis. The loans are secured by mortgaging the following properties (Al-Jubail Views Residential Compound, Mina Warehouses Complex, City Life Plaza Commercial Complex, Motoon Towers, Al-Fanar Commercial Complex, Grand (A) Residential Complex, Al-Wadi District Warehouses, Al-Steen Commercial Center, Grand (B) Commercial Complex, Jubail Employees Residential Buildings, Dammam Labor Housing, Khobar Labor Housing, AlKhaleejiah Business Center, Rasil Medical Center, Education and Skills International School, Jeddah Office Tower, Sulay Warehouses Complex, Al Khalidiya Warehouses (1), Dammam Labor Housing (2), Al-Khamra warehouses in Jeddah, Aziziyah Warehouses(1), Aziziyah Warehouses(2), Al-Sharq warehouse complex). The financing expenses due for the year ended 31 December 2022 have been included and appear in liabilities.

The fund also obtained a loan of SAR 105.5 million from Al-Rajhi Bank for a period of seven years. The loan carries a variable commission and the commission is paid over the term of the loan on a semi-annual basis. The loan is secured by a mortgage over the Smart Tower property. The financing expenses due for the year ending on 31 December 2022 have been included and appear in liabilities.

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**13) BORROWINGS (CONTINUED)**

During the year 2022, Derayah REIT Fund restructured the existing loan, as it obtained a long-term loan in the amount of SAR 642 million from Al-Rajhi Bank for a period of seven years. The loan bears a variable commission that is paid over the loan on a semi-annual basis, and the amount was used to pay off the loan from Riyadh Bank in full, amounting to SAR 642 million. Accordingly, by the end of the year 2022, the total loan from Al-Rajhi Bank will reach SAR 747 million, guaranteed by mortgaging all the real estate of Derayah REIT Fund to Al-Rajhi Bank as a guarantee for the financing granted to the Fund, provided that those sukuk are released after the full value of the loans for Al-Rajhi Bank is paid.

During the year 2023, the fund concluded facilities contracts to extend the loan maturity period for another maturity period.

Type of the loan	Nature of the loan	Balance(1)		Commission expense(2)	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
Time / Tawaruq	Long term	<b>747,982,834</b>	747,982,834	<b>27,067,585</b>	37,517,869
		<b>747,982,834</b>	747,982,834	<b>27,067,585</b>	37,517,869

**1) Balances**

	30 June 2023		31 December 2022	
	Al Rajhi Bank	Riyad Bank	Al Rajhi Bank	Total
Balance at the beginning of the period / year	<b>747,982,834</b>	642,407,145	105,575,689	747,982,834
Withdrawals	<b>747,982,834</b>	-	642,407,145	642,407,145
Payments	<b>(747,982,834)</b>	(642,407,145)	-	(642,407,145)
<b>Balance at end of the period / year</b>	<b>747,982,834</b>	-	747,982,834	747,982,834

**2) Commission expense**

	30 June 2023	31 December 2022
Balance at the beginning of the period / year	<b>2,399,565</b>	5,249,168
Charged during the period / year	<b>27,067,585</b>	37,517,869
Paid during the period / year	<b>(26,444,107)</b>	(40,367,472)
<b>Balance at the end of the period / year</b>	<b>3,023,043</b>	2,399,565



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**14) DIVIDENDS**

According to the terms and conditions of the fund (note 1), the fund aims to distribute quarterly profits of at least 90% of the net profits of the fund. The fund manager distributes profits on the basis of the cash generated from operations. The cash generated from operations is calculated by adding the cost of depreciation and the impairment in investment properties to the net profits as mentioned in the statement of comprehensive income during the period until 30 June 2023. Dividends distributed during the period are the following:

1. On 2 January, 2022, the fund manager agreed to distribute profits to shareholders for the period ending on 31 December 2021 in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266.5 Saudi riyals to its unit holders.
2. On 3 April, 2022, the fund manager agreed to distribute dividends to shareholders for the period ending on 31 March, 2022 in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266.5 Saudi riyals to its unit holders.
3. On 1 January 2023 the fund manager agreed to distribute dividends to shareholders for the period ending on 31 December 2022 in the amount of SAR 0.140 per unit, with a total amount of SAR 15,000,000 to its unit holders.
4. On 2 April 2023, the fund manager agreed to distribute dividends to the unit holders for the period ending on 30 March 2023 in the amount of SAR 0.112 per unit, for a total amount of SAR 12,040,788 to its unit holders.

**15) SUBSEQUENT EVENTS**

On 3 July 2023, the fund manager agreed to distribute dividends to the unit holders for the period ending on 30 June 2023 in the amount of SAR 0.1 per unit, with a total amount of SAR 10,750,704 to its unit holders.

**16) SEGMENT REPORTING**

The Fund invested in 25 investment properties and one Benefit contract in the Kingdom of Saudi Arabia. Operating segments are disclosed in a manner consistent with the internal reporting used by the operating decision-maker.

The fund manager is responsible for the entire fund portfolio and considers the business to have one operating segment. Asset allocation decisions are based on a single integrated investment strategy, and the fund's performance is evaluated as a single sector.

**17) LAST VALUATION DAY**

The last valuation day of the period was 30 June 2023(31 December 2022).

**18) COMPARATIVE FIGUERS**

During this period, the Fund made some reclassifications in the comparative financial statements to conform to the current period presentation.

**19) APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

These interim condensed financial statements were authorized for issue by the Fund Board of Directors on 13 August 2023 (corresponding to Muharram 26, 1445 H).