Alistithmar AREIC Diversified REIT Fund

Real Estate Investment Traded Fund
(Managed by Alistithmar for Financial Securities and Brokerage Company)

FINANCIAL STATEMENTS

For the period from 04 September 2024 (Listing date) to 31 December 2024
Together with the
Independent Auditor's Report to the Unitholders

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALISTITHMAR AREIC DIVERSIFIED REIT FUND
A REAL ESTATE INVESTMENT TRADED FUND
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alistithmar AREIC Diversified REIT Fund (the "Fund"), being managed by Alistithmar for Financial Securities and Brokerage Company (the "Fund Manager) as at 31 December 2024, and its financial performance and its cash flows for the period from 04 September 2024 to 31 December 2024 in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Fund, which comprise of the following:

- The statement of financial position as at 31 December 2024;
- The statements of comprehensive loss for the period from 04 September 2024 to 31 December 2024;
- The statement of changes in net assets attributable to unitholders from 04 September 2024 to 31 December 2024;
- The statement of cash flows from 04 September 2024 to 31 December 2024, and;
- The notes to the financial statements comprising material accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Intenational Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Fund in accordance with the 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALISTITHMAR AREIC DIVERSIFIED REIT FUND
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (continued)

Key Audit Matters	How our audit addressed the key audit matter
Valuation of investment properties	
Refer to the summary of material accounting policies in note 4 relating to impairment of investment properties, note 5 which contains the critical accounting estimates, judgments and assumptions relating to impairment and note 9 relating to investment properties. Alistithmar AREIC Diversified REIT Fund owns a portfolio of investment properties comprising of commercial buildings and hotels located in the Kingdom of Saudi Arabia with carrying value SAR 1.101 billion as of 31 December 2024. Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any impairment losses. Investment properties are re- measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi annual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements.	We have performed the following procedures: - We have obtained two valuation reports from independent Taqeem certified real estate evaluators for each investment property as at 31 December 2024 and confirmed the valuation approaches are suitable for use in determining the carrying values as at reporting date. - We assessed independence of external valuers, professional qualifications, competence and experience and ensured that they are certified from Taqeem, and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitation on their work; - We have involved our specialist to assess key assumptions and estimates, used by the real estate valuation experts in determining the fair values of investment properties; - Assessed recoverable amount is higher on fair value or value in use of related investment properties as per the above-mentioned valuation reports. We determined that the recoverable amount of investment properties to be higher than the carrying amount of the same; - We reconciled average fair value of investment properties as per note 19 to the external valuers' reports; and - We assessed the adequacy of disclosure in financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALISTITHMAR AREIC DIVERSIFIED REIT FUND
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

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 in its annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable provisions of the Real Estate Investment Funds regulations issued by the Capital Market Authority and the Fund's terms and conditions and for such internal control as management 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, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Fund's Board, are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management'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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF ALISTITHMAR AREIC DIVERSIFIED REIT FUND
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

For PKF Al Bassam
Chartered Accountants

شركة بي كي اف البسام
محاسبون ومراجعون قانونيون
C. R. 1010385804
PKF Al Bassam
chartered accountants

Ahmad Mohandis
Certified Public Accountant
License No. 477
Riyadh, Kingdom of Saudi Arabia
25 Ramadan 1446H
Corresponding to: 25 March 2025

Alistithmar AREIC Diversified REIT Fund
(Managed by Alistithmar for Financial Securities and Brokerage Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(Amounts in Saudi Arabian Riyals)

	Note	31 December 2024
ASSETS		
Cash and cash equivalents	7	**76,160,155**
Accounts receivables, net	8	**25,595,276**
Due from a related party	15	**12,949,121**
Other assets		**129,432**
Investment properties and hotel properties, net	9	**1,101,292,457**
Right of use asset, net	10	**25,023,884**
TOTAL ASSETS		**1,241,150,325**
LIABILITIES		
Management fee payable	15	**2,230,000**
Unearned rental income	11	**16,218,529**
Accrued expenses and other liabilities	12	**8,993,210**
Lease liabilities under right of use asset	10	**25,595,363**
Murabaha facility	13	**605,122,388**
TOTAL LIABILITIES		**658,159,490**
Net assets value (equity) attributable to the Unitholders		**582,990,835**
Units in issue *(numbers)*		**60,500,000**
Net assets value (equity) attributable to each unit at Book value		**9.64**
Net assets value (equity) attributable to each unit at Fair value	19	**11.79**

The accompanying notes 1 to 23 form an integral part of these financial statements.

Alistithmar AREIC Diversified REIT Fund
(Managed by Alistithmar for Financial Securities and Brokerage Company)
STATEMENT OF COMPREHENSIVE LOSS
For the period from 04 September 2024 to 31 December 2024
(Amounts in Saudi Arabian Riyals)

	Notes	For the period from 04 September 2024 to 31 December 2024
INCOME		
Rental revenue and hotels revenue	17	**50,461,733**
Special commission income		**1,910,145**
Total Income		**52,371,878**
EXPENSES		
Depreciation of investment properties and hotel properties	9	**(16,058,643)**
Depreciation of right of use asset	10	**(479,910)**
Finance cost of lease liabilities under right of use asset	10	**(954,449)**
Finance cost	13	**(26,352,435)**
Provision for expected credit losses	8	**(2,650,934)**
Management fees	14,15	**(2,230,000)**
Financing arrangement fees	14,15	**(3,025,000)**
Custody fees		**(75,000)**
Property management fees	15	**(1,442,076)**
Other expenses	18	**(21,112,596)**
Total expenses		**(74,381,043)**
NET LOSS FOR THE PERIOD		**(22,009,165)**
Other comprehensive income		**-**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(22,009,165)**

The accompanying notes 1 to 23 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS
For the period from 04 September 2024 to 31 December 2024
(Amounts in Saudi Arabian Riyals)

	For the period from 04 September 2024 to 31 December 2024
Net assets value (Equity) attributable to the Unitholders at the beginning of the period	**-**
Subscription of units issued during the period:	
- In kind	**420,000,000**
- In cash	**185,000,000**
Total comprehensive loss for the period	**(22,009,165)**
Net assets value (Equity) attributable to the Unitholders at the end of the period	**582,990,835**

UNITS TRANSACTIONS (NUMBERS)

	For the period from 04 September 2024 to 31 December 2024
Number of units at the beginning of the period	**-**
Units issued during the period:	
- In kind	**42,000,000**
- In cash	**18,500,000**
Number of units at the end of the period	**60,500,000**

The accompanying notes 1 to 23 form an integral part of these financial statements

Alistithmar AREIC Diversified REIT Fund
(Managed by Alistithmar for Financial Securities and Brokerage Company)
STATEMENT OF CASH FLOWS
For the period from 04 September 2024 to 31 December 2024
(Amounts in Saudi Arabian Riyals)

	Note	For the period from 04 September 2024 to 31 December 2024
Cash flows from operating activities		
Net loss for the period		**(22,009,165)**
Adjustment to reconcile net loss to net cash generated from operating activities:		
Depreciation of investment properties and hotel properties	9	**16,058,643**
Depreciation of right of use asset	10	**479,910**
Finance cost of lease liabilities under right of use asset	10	**954,449**
Finance cost	13	**26,352,435**
Provision for expected credit losses	8	**2,650,934**
		24,487,206
Changes in operating assets & liabilities:		
Accounts receivables		**(28,246,210)**
Due from a related party		**(12,949,121)**
Other assets		**(129,432)**
Management fee payable		**2,230,000**
Unearned rental income		**16,218,529**
Accrued expenses and other liabilities		**8,993,210**
Net cash generated from operating activities		**10,604,182**
Cash flows from investing activities:		
Purchase of investment properties and hotel properties		**(697,351,100)**
Net cash used in investing activities		**(697,351,100)**
Cash flows from financing activities:		
Proceeds from Murabaha facility	13	**605,000,000**
Subscriptions in cash		**185,000,000**
Lease liabilities Paid	10	**(862,880)**
Finance cost paid	13	**(26,230,047)**
Net cash generated from financing activities		**762,907,073**
Change in cash and cash equivalents during the period		**76,160,155**
Cash and cash equivalents at the beginning of the period		**-**
Cash and cash equivalents at the end of the period	7	**76,160,155**
Non-cash transactions:		
Subscription in kind against investment properties and hotel properties		**420,000,000**

The accompanying notes 1 to 23 form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

Alistithmar AREIC Diversified REIT Fund (the Fund) is a closed-ended public Sharia-compliant real estate investment traded fund publicly offered fund whose units are traded in Tadawul (the main market) with the code (4350), and commenced trading on tadawul date 04 September 2024. It was established in the Kingdom of Saudi Arabia under the Real Estate Investment Funds Regulations.

The Fund aims to invest in real estate assets inside or outside the Kingdom of Saudi Arabia that are capable of achieving periodic rental income and distribute at least 90% of the Fund's net profits annually (semi-annually). The Fund may secondarily invest the Fund's assets in real estate development projects (if the Fund Manager deems appropriate) provided that:

- The Fund's assets invested in developed real estate assets that generate periodic income shall not be less than (75%) of the total value of the Fund's assets according to the latest audited financial statements.
- The Fund shall not invest its assets in white lands.

The Fund has been certified as a Sharia compliant REIT by the Sharia Supervision Committee appointed for this investment fund.

The Fund is managed by Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), which is a Saudi closed joint stock company under Commercial Registration No. 1010235995 dated Rajab 08, 1428H (corresponding to July 22, 2007G) and licensed as a "Capital Market Institution" under the license of the Capital Market Authority No. 11156-37, whose registered postal address is P.O Box 6888 Postal Code 11452 Kingdom of Saudi Arabia.

The Fund has appointed Preserving Real Estate Opportunities Company which is owned by Alinma Investment Company (the Custodian) to act as its Custodian.

2. REGULATING AUTHORITY

The Fund governed by the Real Estate Investment Funds Regulations issued by the Capital Market Authority.

3. BASIS OF PREPARATION

A. Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 to comply with the related Implementing Regulations issued by CMA and the Fund's terms and conditions.

The Fund's first financial period starts from 04 September 2024 to 31 December 2024, and as a result, no comparative information is included in these financial statements.

B. Basis of measurement functional and presentation currency

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

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these financial statements are as follows:

Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less (if any) which are available to the Fund without any restrictions. Cash and cash equivalents are carried at amortized cost within the statement of financial position.

Rent receivable

Receivables are initially recognized at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using an effective commission method. Loss allowance for receivables is always recognized at an amount equal to lifetime expected credit losses.

Right of use assets

Right of use assets are recorded at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the year of the contract.

Financial instruments

Recognition and initial measurement

Receivables from operating leases are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

Classification of financial assets

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

A financial asset is measured at amortized cost if it meets both of the following conditions:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and commission on the principal outstanding amount.

Financial assets shall be measured at FVTOCI if both of the following conditions are met:

a. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal and commission on the principal outstanding amount.

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets (continued)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

  a) The Fund has transferred substantially all the risks and rewards of the asset, or
  b) The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'.

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Expected credit loss assessment for operating lease receivable

The Fund applies to IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against financial assets measured at amortized cost

The expected loss rates are based on the payment profiles receivable over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): The likelihood of a default over a particular time horizon.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment for operating lease receivables (continued)

Exposure at Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and **commission**, and expected drawdowns on committed facilities**.**

Model and framework

The Fund uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of the most likely outcome using worst- and best-case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

Definition of default

In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- When the customer is past due on any material credit obligation to the Fund. In case the industry norm suggests a period fairly represents the default scenario for the Fund, this might rebut the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the assets is reduced using the above model and the loss is recognized in the statement of profit or loss. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under the reversal of impairment loss on receivables from operating leases in the statement of profit or loss.

Specific provision

Specific provision is recognized on a customer-to-customer basis at every reporting date. The Fund recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered by the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of murabaha facility, net of directly attributable transaction costs.
The Fund's financial liabilities mainly include trade and other payables, related parties and facility.

Derecognition

The Fund derecognizes financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial assets are modified, the Fund evaluates whether the cash flows of the modified assets are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value.
If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability

The Fund derecognizes financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognized in the statement of profit or loss.

Offsetting of financial instruments

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

Investment properties and hotel properties

Investment properties are land, building and equipment and furnishings physically attached and integral to a building held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investment properties and hotel properties (continued)

Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, and other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized finance costs.

The useful lives of different components of investment properties are as follows:

Categories	Years
Buildings	40 years or rental period whichever is earlier
Furniture and Equipment	4 years

Buildings include buildings constructed on free & lease hold land.

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value, less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not

Impairment of non-financial assets

Exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Provisions

A provision is recognized when the Fund has a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognized for future operating losses.

Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently recognized at amortised cost using the effective commission rate method.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Unearned rental income

Liabilities advanced more than the amount of revenue recognized, if any, are included in current liabilities as deferred rental income and recognized as revenue in the subsequent period when the related rental service is provided.

Investment transactions

Investments transactions are accounted for as of the trade date.

Murabaha facility

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

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

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

Revenue recognition

The Fund recognises revenue from contracts with customers based on a five-step model*:*

Step l. Identify the contract 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 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 Fund 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 Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.

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

The Fund satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

For performance obligations, where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognised, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, considering contractually defined terms of payment

The specific recognition criteria described below must also be met before revenue is recognised.

Rental revenue

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

When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.
To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Fund has assessed that all of its leases are operating leases. Properties leased out under operating leases are included in investment properties in the statement of financial position. Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Management fees and other expenses

Management fees and other expenses are charged at rates / amounts within limits mentioned in terms and conditions of the fund. Management fees are charged and paid on a semi-annual basis.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All the other finance costs are expensed in the period in which they occur. Finance costs consist of commission and other costs that an entity incurs in connection with the facility of Funds.

Expenses

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

Dividend distribution

The Fund shall distribute at least 90% of the Fund’s annual net profits to unitholders on a semiannual basis. Capital gains may also be reinvested in other assets resulting from the sale of real estate assets or other investments of the Fund without prejudice to the provisions of the Real Estate Investment Funds Regulations. In the absence of investment opportunities within a year from the date of receipt of the amount of sale or expropriation of the relevant assets, the Fund Manager shall distribute those amounts with the nearest dividends.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Net assets value (equity) per unit

The net assets value (equity) per unit is calculated by dividing the net assets value (equity) attributable to the unitholders included in the statement of financial position by the numbers of units outstanding at the year end.

Zakat

Zakat is the obligation of the unitholders and therefore, no provision or expenses have been made in these financial statements.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets value (equity). They rank equally in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets value (equity) in the event of the Fund's liquidation.

Units are classified as equity as they meet all of the following conditions:

- It entitles the holder to a pro-rate share of the Fund's net assets value (equity) in the event of the Fund's liquidation.
- It is in the class of instruments that is subordinate to all other classes of instruments.
- All financial instruments in the class of instruments that are subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets value (equity) or the change in the fair value of the recognized and unrecognized net assets value (equity) of the Fund over the life of the instrument.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS & ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
In the process of applying the Fund's accounting policies, management has made the following estimates and judgements, which are significant to the financial statements:

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS & ASSUMPTIONS (CONTINUED)

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements. Judgement has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the financial statements are described below:

<u>Provision for expected credit losses on receivables from operating leases</u>

The Fund uses a provision matrix to calculate ECLs receivable from operating leases. The provision matrix is initially based on the Fund's historically 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 products, 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 forecast economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

<u>*Useful lives of investment properties and hotel properties*</u>

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually, and changes in depreciation charges, if any, are adjusted in current and future periods.

<u>*Valuation of investment properties and hotel properties*</u>

The Fund uses the services of third party professionally qualified evaluators to obtain estimates of the market value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the financial statements, for further details of assumptions and estimates please refer to (Note 9).

Going Concern

The Fund Manager of the Fund has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS & ASSUMPTIONS (CONTINUED)

Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

For investment properties, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the REIT estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

6. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

(a) New IFRS standards, IFRIC interpretations and amendments thereof, adopted by the Fund

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board ("IASB") have been effective from 1 January 2024 and accordingly adopted by the Fund, as applicable:

Standards, interpretations and amendments	***Description***
Amendments to lAS 1	Non-current liabilities with covenants and classification of liabilities as current or non-current
Amendments to IFRS 16	Lease liability in sale and lease back transaction
Amendments to IAS 7 & IFRS 7	Supplier finance arrangement

The adoption of the amended standards and interpretations applicable to the Fund did not have any significant impact on these financial statements.

6. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

b) *New IFRS standards, IFRIC interpretations and amendments thereof issued but not yet effective*

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective are listed below. The Fund intends to adopt these standards when they become effective.

Standards, interpretations and amendments	***Description***	***Effective from periods beginning on or after the following date***
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Classification and measurement of financial instruments	1 January 2026
Amendments to IFRS 18	Presentation and disclosure in financial statements	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the Fund's financial statements.

7. CASH AND CASH EQUIVALENTS

	Note	31 December 2024
Money Market Placement	7-1	**50,000,000**
Cash at bank	7-2	**26,095,155**
Cash in hand		**65,000**
		76,160,155

7-1 Money market placement are with a local bank having (A-) credit rating.

7-2 The Fund do not earn any commission on balances in Cash at bank.

8. ACCOUNTS RECEIVABLE, NET

	31 December 2024
Rent receivable	**26,174,116**
Hotels receivables	**2,072,094**
Less: Provision for expected credit losses	**(2,650,934)**
	25,595,276

The movement on provision for expected credit losses is as following:

	31 December 2024
Balance at the beginning of the period	**-**
Charged during the period	**2,650,934**
	2,650,934

9. INVESTMENT PROPERTIES AND HOTEL PROPERTIES, NET

The Fund owns 5 investment properties and 2 hotels:

(i) Galleria Mall: Galleria Mall is a commercial complex located in Jubail Industrial city consisting of many brands.

(ii) The Roof: The Roof is commercial complex located in the city of Riyadh. It consists of a hypermarket, cinemas and contains some stores. The investment property was mortgaged to local bank against Murabaha facility.

(iii) Corniche Plaza: Corniche Plaza is a commercial complex located in city of Dammam and consists of a number of commercial showrooms and contains administrative offices. The investment property was mortgaged to local bank against Murabaha facility.

(iv) Al-Mashael Warehouse: Al-Mashel is a warehouse located in the south of Riyadh and contains administrative offices. The investment property was mortgaged to local bank against Murabaha facility.

(v) Saudi Ericsson Building: Saudi Ericsson building is located in the heart of Riyadh on Salah Al-Din Al-Ayyubi Road adjacent to many government facilities and hospitals and leased as the headquarters of a company. The investment property was mortgaged to local bank against Murabaha facility.

(vi) Citadine Hotel: The Fund acquired five stars Citadine Hotel in Abha. It is located on King Fahad Road next to Asir Mall. The investment property was mortgaged to local bank against Murabaha facility.

(vii) Somerset Hotel: Somerset Hotel is a four star hotel in Khobar located near the commercial complexes and Khobar Corniche. The investment property was mortgaged to local bank against Murabaha facility.

9-1 The Fund’s properties are held under the custody of the Custodian.

9-2 The Fund charge depreciation on building over 40 years or rental period whichever is earlier.

9-3 The Fund charge depreciation on furniture & equipment over 4 years.

9-4 The Fund manager reviews its investment property on a regular basis for any impairment. An impairment loss is recognized for the amount in which the carrying amount of the investment properties exceeds its recoverable amount, which is the higher of the assets' fair value less costs to sell and value in use. As at December 31, 2024, according to the periodic valuation reports submitted by independent valuers of the Fund, there was no decline in the value of investment property.

9-5 As at 31 December 2024, investment properties and hotel properties represent the properties that were initially recognized at their fair value and are subsequently measured at cost less accumulated depreciation and impairment.

9. INVESTMENT PROPERTIES AND HOTEL PROPERTIES, NET (CONTINUED)

The break-up of the cost of investment properties and hotel property is as follows:

	Land	Buildings (Free Hold)	Buildings (Lease Hold)	Furniture & Equipment	Total
Cost:					
Balance at the beginning of the period	-	-	-	-	-
Additions during the period	236,612,529	586,644,139	256,214,700	37,879,732	1,117,351,100
Balance at the end of period	236,612,529	586,644,139	256,214,700	37,879,732	1,117,351,100
Accumulated Depreciation:					
Balance at the beginning of the period	-	-	-	-	-
Charged during the period	-	(6,972,410)	(4,584,134)	(4,502,099)	(16,058,643)
Balance at the end of period	-	(6,972,410)	(4,584,134)	(4,502,099)	(16,058,643)
Net book value at 31 December 2024	**236,612,529**	**579,671,729**	**251,630,566**	**33,377,633**	**1,101,292,457**

In accordance with Article 8 of the Real Estate Investment Traded Funds Instructions issued by CMA, the Fund Manager assesses the Fund's real estate values by appointing two independent evaluators to determine the market values in conformity with the International Valuation Standards Council's International Valuation Standards.

The value of mortgaged and unmortgaged investment properties is as follows:

	Note	31 December 2024
Mortgaged investment properties	13	**849,661,891**
Unmortgaged investment properties		**251,630,566**
		1,101,292,457

10. RIGHT-OF-USE ASSET AND LEASE LIABILITIES UNDER RIGHT OF USE ASSET

The usufruct contracts consist of the real estate of Galleria Mall which is a commercial complex located in Jubail Industrial City consisting of many brands. It also contains a hypermarket and a cinema.

	31 December 2024
Cost:	
Balance at the beginning of the period	**-**
Addition during the period	**25,503,794**
	25,503,794
Accumulated Depreciation:	
Balance at the beginning of the period	**-**
Charge for the period	**(479,910)**
	(479,910)
Net book value at 31 December 2024	**25,023,884**

10. RIGHT-OF-USE ASSET AND LEASE LIABILITIES UNDER RIGHT OF USE ASSET (CONTINUED)

LEASE LIABILITIES UNDER RIGHT OF USE ASSETS

	31 December 2024
Balance at the beginning of the period	-
Additions during the period	25,503,794
Finance cost charged during the period	954,449
Paid during the period	(862,880)
	25,595,363

The maturity analysis of lease liabilities under right of use asset is disclosed in (Note 20).

The following are the amounts recognized in the statement of comprehensive loss:

	For the period from 04 September 2024 to 31 December 2024
Depreciation of right of use asset	(479,910)
Finance cost of lease liabilities under right of use asset	(954,449)
	(1,434,359)

11. UNEARNED RENTAL INCOME

	Note	31 December 2024
Balance at the beginning of the period		-
Invoices issued during the period		44,743,762
Revenue recognized during the period	17	(28,525,233)
		16,218,529

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	31 December 2024
VAT payable		4,555,188
Hotel expenses payable		2,206,645
Security deposit		1,962,377
Legal and professional fees payable		174,000
Custody fee payable		75,000
Fund board fee payable	15	20,000
		8,993,210

13. MURABAHA FACILITY

Preserving Real Estate Opportunities Company (SPV) has obtained Islamic financing facilities with local bank amounting to SAR 605,000,000 for the purpose of financing the investment properties of the Fund. The loan carries a profit rate at SAIBOR + margin, the loan is due for repayment on 07 July 2030.

The balance of the loan as at 31 December 2024 amounted to SAR 605,000,000 and the value of the financing costs due for this loan as at 31 December 2024 amounted to SAR 122,388.

The loans are guaranteed by a promissory note amounting to SAR 605,000,000, and also by a mortgage on some investment properties amounting to SAR 849,661,891 as at 31 December 2024 (Note 9).

13. MURABAHA FACILITY (CONTINUED)

The following is a statement of the movement in the Murabaha facility balance during the period:

	31 December 2024
Balance at the beginning of the period	-
Proceeds during the period	605,000,000
Finance cost charged during the period	26,352,435
Paid during the period	(26,230,047)
	605,122,388

14. MANAGEMENT AND OTHER FEES

Management fees: The Fund Manager shall receive annual fees equivalent to 0.5% of the total value of the Fund's assets, calculated and paid on a semi-annual basis.

Financing arrangement fees: The Fund shall bear an arrangement fee equivalent to 0.5% of the value of the financing to be obtained by the Fund, which shall be paid to the Fund Manager in return for arranging financing loans for the Fund to be used to cover the costs of acquisition, development and operation of the Fund. The arrangement fee shall apply to the financing to be obtained for the benefit of the Fund. In any case, the arrangement fee shall not exceed 3,500,000 Saudi riyals.

Transaction fees: The Fund Manager shall receive 0.5% of the special selling price for each real estate asset sold by the Fund. It shall also receive 0.5% of the special purchase price for each real estate asset purchased by the Fund in return for the Fund Manager conducting the necessary investigation, negotiating the terms of purchase or sale, and completing the process.
Dealing fees shall be due after the completion of the purchase or sale of each real estate asset. The transaction fees will be applied to the purchase of the initial real estate assets, which will be calculated on the basis of the acquisition price of the initial real estate assets.

15. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

15. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions with related parties:

Related Party	Nature	For the period from 04 September 2024 to 31 December 2024
Alistithmar for Financial Securities and Brokerage Company	Management fees	**2,230,000**
	Financing arrangement fee	**3,025,000**
	Transaction fee capitalized in investment properties and hotel properties	**5,391,850**
	Pre-formation expenses reimbursed	**4,230,182**
Almutlaq Real Estate Investment Company	Rental collections received on behalf	**24,861,368**
	Expense paid on behalf	**(10,253,860)**
	Property management fees	**(1,442,076)**
Fund Board	Independent members	**20,000**

Balances with related parties:

Related Party	Nature	31 December 2024
Alistithmar for Financial Securities and Brokerage Company	Management fees	**(2,230,000)**
Almutlaq Real Estate Investment Company	Operational transactions	**12,949,121**
Fund Board	Independent members	**(20,000)**

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

16. SEGMENT REPORTING

The Fund has two reportable segments, as described below, which are the Fund's strategic business units. These strategic business units offer different services, and are managed separately because they require different management and marketing strategies. For each of the strategic business units, the Fund Manager reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Fund's reportable segments:

Rental	This comprises of Investment properties namely Galleria Mall, Corniche Plaza, The Roof, Al Mashail Warehouse and Saudi Ericsson building
Hotels	This comprises of Citadines and Somerset Hotel
Unallocated	Comprises of any other classes not mentioned above

16. SEGMENT REPORTING (CONTINUED)

The summary of the comprehensive income of these segments is as below:

	For the period from 04 September 2024 to 31 December 2024			
	Rental	**Hotels**	**Unallocated**	**Total**
Rental revenue and hotels revenue	**28,525,233**	**21,936,500**	**-**	**50,461,733**
Special commission income	**-**	**-**	**1,910,145**	**1,910,145**
Depreciation of investment properties and hotel properties	**(6,897,517)**	**(9,161,126)**	**-**	**(16,058,643)**
Depreciation of right of use asset	**(479,910)**	**-**	**-**	**(479,910)**
Finance cost of lease liabilities under right of use asset	**(954,449)**	**-**	**-**	**(954,449)**
Finance cost	**-**	**-**	**(26,352,435)**	**(26,352,435)**
Provision for expected credit losses	**(1,543,004)**	**(1,107,930)**	**-**	**(2,650,934)**
Management fees	**-**	**-**	**(2,230,000)**	**(2,230,000)**
Financing arrangement fees	**-**	**-**	**(3,025,000)**	**(3,025,000)**
Custody fees	**-**	**-**	**(75,000)**	**(75,000)**
Property management fees	**(1,030,054)**	**(412,022)**	**-**	**(1,442,076)**
Other expenses	**(1,258,698)**	**(15,010,503)**	**(4,843,395)**	**(21,112,596)**
Net profit / (loss)	**16,361,601**	**(3,755,081)**	**(34,615,685)**	**(22,009,165)**

The summary of the financial position of these segments is as below:

	As at 31 December 2024			
	Rental	**Hotels**	**Unallocated**	**Total**
Cash and cash equivalents	**5,586,086**	**1,432,858**	**69,141,211**	**76,160,155**
Accounts receivables, net	**24,631,112**	**964,164**	**-**	**25,595,276**
Due from a related party	**3,016,711**	**9,932,410**	**-**	**12,949,121**
Other assets	**129,432**	**-**	**-**	**129,432**
Investment properties and Hotel properties, net	**627,458,757**	**473,833,700**	**-**	**1,101,292,457**
Right of use asset, net	**25,023,884**	**-**	**-**	**25,023,884**
TOTAL ASSETS	**685,845,982**	**486,163,132**	**69,141,211**	**1,241,150,325**
Management fee payable	**-**	**-**	**2,230,000**	**2,230,000**
Unearned rental income	**16,218,529**	**-**	**-**	**16,218,529**
Accrued expenses and other liabilities	**6,517,565**	**2,206,645**	**269,000**	**8,993,210**
Lease liabilities under right of use asset	**25,595,363**	**-**	**-**	**25,595,363**
Murabaha facility	**-**	**-**	**605,122,388**	**605,122,388**
TOTAL LIABILITIES	**48,331,457**	**2,206,645**	**607,621,388**	**658,159,490**
Net assets value (equity) attributable to the Unitholders	**637,514,525**	**483,956,487**	**(538,480,177)**	**582,990,835**

17. RENTAL REVENUE AND HOTELS REVENUE

	For the period from 04 September 2024 to 31 December 2024
Rental revenue from investment properties excluding hotels	**28,525,233**
Revenue from contracts with customers	
Revenue from hotel operations	**21,936,500**
	50,461,733
Revenue from hotel operations - Timing of Revenue	
Revenue recognized at a point in time	**21,936,500**
	21,936,500

18. OTHER EXPENSES

	Note	For the period from 04 September 2024 to 31 December 2024
Hotel expenses		**15,010,503**
Pre-formation expenses		**4,289,222**
Utilities charges		**489,571**
Legal & Professional fee		**442,395**
Property risk insurance charges		**315,603**
Registration and listing fees		**91,778**
Fund board fee	15	**20,000**
Miscellaneous expenses		**453,524**
		21,112,596

19. EFFECT ON NET ASSETS (EQUITY) PER UNIT IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two valuations prepared by independent valuers. As set out in the terms and conditions of the Fund, net asset value disclosed are based on the market value obtained. However, in accordance with the accounting policy of the Fund, investment and development properties are recorded at cost less accumulated depreciation and impairment if any in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of real estate investments is determined by valuators, namely Barcode Company and Qaim Real Estate Appraisal Company (2 valuators for each property). They are certified by the Saudi Authority of Accredited Valuers "Taqeem". The following is an assessment of real estate investments as at 31 December:

	31 December 2024		
	Evaluator		
	Barcode	**Qiam**	**Average Market Value**
Galleria Mall	**346,015,000**	**334,888,000**	**340,451,500**
Somerset Hotel	**270,750,000**	**243,725,000**	**257,237,500**
Citadine Hotel	**258,550,000**	**238,642,000**	**248,596,000**
The Roof	**224,350,000**	**225,461,000**	**224,905,500**
Corniche Plaza	**100,470,000**	**106,691,000**	**103,580,500**
Al Mashaeil Warehouse	**40,687,500**	**40,818,000**	**40,752,750**
Saudi Ericsson Building	**15,796,000**	**16,306,000**	**16,051,000**
Total	**1,256,618,500**	**1,206,531,000**	**1,231,574,750**

19. EFFECT ON NET ASSETS (EQUITY) PER UNIT IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment and development properties.

The investment and development properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including discounted cash flows method and income method, below is an analysis of the development and investment properties fair value versus cost:

	Note	31 December 2024
Fair value of investment properties		**1,231,574,750**
Less: Carrying value of investment properties and hotel properties, net	9	**(1,101,292,457)**
Increase in net assets value (equity)		**130,282,293**
Units in issue (number)		**60,500,000**
Additional net assets value (equity) per unit based on fair value		**2.15**

Net assets attributable to the unitholders	**31 December 2024**
Net assets value (equity) attributable to unitholders before fair value adjustment	**582,990,835**
Increase in net assets value (equity)	**130,282,293**
Net assets value (equity) attributable to unitholders after fair value adjustment	**713,273,128**

Net Assets Value Attributable to each unit	**31 December 2024**
Net assets value (equity) per unit (SAR) before fair value adjustment	**9.64**
Increase in net assets value (equity) per unit (SAR) based on fair value	**2.15**
Net assets value (equity) attributable to unitholders after fair value adjustment	**11.79**

20. FINANCIAL RISK MANAGEMENT

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the Fund’s financial performance.

Financial instruments recorded in these financial statements principally comprise of cash and cash equivalents, accounts receivable, due from a related party, other receivable, management fee payable, accrued expenses and other liabilities, murabaha facility. The specific methods of recognition adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the

Fund has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The Fund is subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth risks in the kingdom, commission rate, demand-supply, availability of financing, investor sentiment, liquidity, legal, foreign exchange rate, and regulatory risks. The Fund’s management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

An allowance for credit losses is made which is sufficient at management's discretion to cover potential losses on past-due receivables.

On each reporting date, the bank balances are assessed for credit risks as to determine whether they have low risks as they are held with reputable financial institutions having a high local bank credit rating, and there is no default history for any of the bank balances. Therefore, the probability of default PD is based on future factors and any losses resulting from default are negligible. As at the reporting date, there are no past-due payment dates.

Due from a related party and other receivables are unsecured, carry no commission and have no fixed payments. There are no past-due receivables from the related parties at reporting date, considering the historical experience of default and the future of the industries where the related parties operate. The management considers that the related party balances weren’t credit impaired.

When calculating the expected credit loss provision for receivables and due from a related party, a provision matrix is used based on historical loss rates over the expected life of the receivable adjusted for forward looking estimates**.**

The following table provides information about the exposure to credit risk and ECLs for receivables from operating leases as at:

31 December 2024	**Weighted average loss rate (%)**	**Gross receivable**	**Expected credit losses**
0 – 30 days	**0.34%**	**14,460,950**	**48,570**
31 – 60 days	**1.68%**	**3,439,559**	**57,762**
61 – 180 days	**11.20%**	**7,326,408**	**820,241**
181 – 360 days	**11.20%**	**1,458,186**	**163,254**
Above 361 days	**100%**	**1,561,107**	**1,561,107**

The Fund's maximum undiscounted exposures to credit risk for the components of the statement of financial position and respective expected credit loss is as follows:

	31 December 2024
Cash and cash equivalents	**76,160,155**
Accounts receivable, gross	**28,246,210**
	104,406,365

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any obligations as they arise, either through liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

At 31 December 2024	Less than 1 year	1 year to 2 years	2 years to 5 years	More than 5 years
Management fee payable	**2,230,000**	**-**	**-**	**-**
Accrued expenses and other liabilities	**8,993,210**	**-**	**-**	**-**
Lease liabilities under right of use asset	**862,880**	**1,725,760**	**2,588,640**	**69,892,560**
Murabaha facility	**122,388**	**-**	**-**	**605,000,000**

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to achieve its investment objective of generating returns to Unitholders.

Geographical Concentration

All the assets and liabilities are distributed within the Kingdom of Saudi Arabia

Commission rate risk

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

The Fund's commission rate risk arises mainly from short-term loans and deposits, which are at a fixed commission rate and are not subject to re-pricing on a regular basis.

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

The Fund's commission rate risks arise mainly from its murabaha facility, which are at variable commission rates and the sensitivity analysis is as follows:

	31 December 2024			
	Income Statement		Statement of NAV	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Commission rate fluctuations	**1%**	**1%**	**1%**	**1%**
Cash-flow sensitivity (net)	**6,051,224**	**(6,051,224)**	**6,051,224**	**(6,051,224)**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

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

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

The table below presents the financial instruments at their fair value as at 31 December, based on the fair value hierarchy:

	31 December 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment properties and hotel properties, net	**-**	**-**	**1,101,292,457**	**1,101,292,457**
Total	**-**	**-**	**1,101,292,457**	**1,101,292,457**

As at 31 December 2024, the Fund's financial instruments include cash and cash equivalents, account receivable, due from a related party, other assets, management fee payable, accrued expenses and other liabilities, and murabaha facility. All financial instruments are measured at amortized cost and their carrying values approximate their fair value.

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

Valuation of investment properties and hotel properties as disclosed in (Note 9) are valued at Level 3 of the fair value hierarchy. The principal inputs include:

Discount Rates that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 9% - 10.36%).

Capitalization Rates are based on the actual location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 7% - 8%).

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

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

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

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

21. LAST VALUATION DAY

The last valuation day for the period was 31 December 2024.

22. SUBSEQUENT EVENTS

There are no events subsequent to the period end that require adjustment or disclosure in these financial statements.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the period ending 31 December 2024 were approved by the Fund Board of Directors on 24 Ramadhan 1446H, corresponding to 24 March 2025.