

AL-JAZIRA REIT FUND
A real estate investment traded fund
(Managed By Aljazira Capital Company)
Interim Condensed Financial Statements (Un-audited)
For The Six-Month Period Ended 30 June 2022
Together with the
Independent Auditor's Report

AL-JAZIRA REIT FUND
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Interim Condensed Financial Statements
For The Six-Month Period Ended 30 June 2022
with the Independent Auditor's Report

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

TO THE UNITHOLDERS OF
Al Jazira REIT Fund (Managed by: Al Jazira Capital)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al Jazira REIT Fund (the "Fund") managed by Al Jazira Capital Company (the "Fund Manager") as at 30 June 2022 and the related interim statement of comprehensive Income, interim statement of changes in net assets (Equity) attributable to the unitholders and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. 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: 26 Muharram 1444H
Corresponding to: 24 August 2022

AL-JAZIRA REIT FUND
A real estate investment traded fund
Managed By Aljazira Capital Company

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Amounts in SAR)

	<u>Note</u>	As at 30 June 2022 (Un-audited)	As at 31 December 2021 (Audited)
<u>ASSETS</u>			
Current assets			
Cash at bank	6	1,516,476	585,480
Rent receivable, net	7	126,234	287,661
Prepayments and other balance receivables	8	286,456	40,137
Accrued rental income		123,882	-
Total current assets		2,053,048	913,278
Non-current assets			
Investment properties, net	9	84,796,825	84,310,513
Total non-current assets		84,796,825	84,310,513
Total assets		86,849,873	85,223,791
<u>LIABILITIES</u>			
Current liabilities			
Accrued fund management fees	11	188,810	386,184
Unearned rental income		990,251	1,728,283
Accrued custodian fees		150,695	125,556
Accrued expenses		305,210	449,638
Total current liabilities		1,634,966	2,689,661
Total liabilities		1,634,966	2,689,661
Net assets attribute to unitholders		85,214,907	82,534,130
Units in issue (numbers)		11,800,000	11,800,000
Assets carrying value attribute for the unit		7.22	6.99
Assets fair value attribute for the unit	12	7.22	6.99

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL-JAZIRA REIT FUND
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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For The Six-Month Period Ended 30 June 2022
(Amounts in SAR)

	Note	For the period ended 30 June 2022 (Un-audited)	For the period ended 30 June 2021 (Un-audited)
<u>REVENUES</u>			
Rental income from investment property	13	3,079,742	2,525,784
Profit from investments carried at FVTPL	10	-	4,540
Other income		39,743	-
Total revenues		3,119,485	2,530,324
<u>EXPENSES</u>			
Properties management expenses		(118,235)	(87,747)
Fund management fees	11	(373,196)	(370,534)
Other expenses		(408,450)	(183,307)
Custody fee		(25,139)	(25,139)
Total expenses		(925,020)	(666,727)
Operating profit		2,194,465	1,863,597
Reversal of impairment in investment properties	9	945,682	1,198,707
Depreciation of investment properties	9	(459,370)	(459,370)
Net income for the period		2,680,777	2,602,934
Other comprehensive income		-	-
Total comprehensive income for the period		2,680,777	2,602,934

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

AL-JAZIRA REIT FUND
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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

	For the period ended 30 June 2022 (Un-audited)	For the period ended 30 June 2021 (Un-audited)
Net assets value attributable to the unitholders at the beginning of the period	82,534,130	82,231,123
Net comprehensive income for the period	2,680,777	2,602,934
Net assets value attributable to the unitholders at the end of the period	85,214,907	84,834,057

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements

AL-JAZIRA REIT FUND
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INTERIM CONDENSED STATEMENT OF CASH FLOWS (UN-AUDITED)

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

	Note	For the period ended 30 June 2022 (Un-audited)	For the period ended 30 June 2021 (Un-audited)
<u>OPERATING ACTIVITIES</u>			
Net income for the year		2,680,777	2,602,934
<i>Adjustments to</i>			
Realized gain from investments carried at FVTPL	10	-	(174)
Unrealized gain from investments carried at FVTPL	10	-	(4,366)
Depreciation of investment properties	9	459,370	459,370
Reversal of impairment in investment properties	9	(945,682)	(1,198,707)
Changes in operating assets and liabilities:			
Accrued rental income		(123,882)	-
Rent Receivable		161,427	-
Prepayments and other balance receivables		(246,319)	(103,880)
Accrued fund management fees		(197,374)	370,868
Unearned rent receivables		(738,032)	(332,115)
Accrued custodian fees		25,139	25,138
Accrued expenses		(144,428)	237,178
Net cash generated from operating activities		930,996	2,056,246
<u>INVESTING ACTIVITIES</u>			
Proceeds from selling investments at FVTPL		-	120,000
Payments to purchase investments at FVTPL		-	(1,100,000)
Net cash used in investing activities		-	(980,000)
Change in cash in bank balances during the period		930,996	1,076,246
Cash and cash equivalents at the beginning of the period	6	585,480	231,276
Cash in bank balances at the end of the period	6	1,516,476	1,307,522

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements

AL-JAZIRA REIT FUND
A real estate investment traded fund
Managed By Aljazira Capital Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

1) THE FUND AND ITS ACTIVITIES

The Al Jazira REIT Fund ("REIT") is a Shariah compliant real estate investment traded fund. The fund operates in accordance with the Real Estate Investment Funds Regulations and REIT Regulations issued by the Capital Market Authority (CMA). The fund is listed on the Saudi Stock Exchange ("Tadawul") and traded on the Tadawul in accordance with its rules and regulations. The size of the fund is 118 million Saudi riyals, The REIT has a term of 99 years from the beginning of its operation.

Al-Jazirah Financial Markets Company ("Fund Manager"), a Saudi Closed Joint Stock Company registered under Commercial Registry No. 1010351313, authorized to a person by the Capital Market Authority with License No. 07076-37, runs a REIT.

The main investment objective of the fund is to invest in structurally developed real estate that generates periodic income and distributes a percentage of no less than 90% of the fund's net profits in cash to investors during the fund's operating period at least once annually during the third quarter of each year in the event that the rent collection is completed with the possibility of achieving Capital gains upon selling the fund's assets, and the fund will invest mainly in winery warehouses in Jeddah, and these are wholly owned by Al-Jazira REIT Real Estate Fund.

2) REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Fund Regulations (REIFR) (the "Regulations") Issued by the Board of the Capital Market Authority Dated 19/6/1427 Corresponding to 15/7/2006 Amended by the Board of the Capital Market Authority Dated 12/7/1442H Corresponding to 24/2/2021G effective from 19/9/1442H (corresponding 1/5/2021) the New Regulations ("Amended Regulations") published by the Capital Market Authority on 19/7/1442H (corresponding to 1/3/2021) detailing requirements for all type of real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3) BASIS OF PRESENTATION

3-1 Statement of compliance

These condensed interim financial statements have been prepared on a going concern basis and in accordance with International Accounting Standard 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Fund's last annual financial statements for the year ended 31 December 2021.

These condensed interim financial statements do not include all of the information normally required for a complete set of financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3-2 Basis of measurement and functional and presentation currency

These interim condensed financial statements have been prepared on a historical cost basis, using the accruals basis of accounting except for investments that are measured at fair value through profit or loss.

These condensed interim financial statements are presented in Saudi Riyals ("SR"), which is the Fund's functional currency. All financial information presented has been rounded to the nearest SR, unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

3) BASIS OF PRESENTATION (CONTINUED)

3-3 Critical accounting judgments, estimates and assumption

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

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 Fund manager is not aware of any material uncertainties that may cast significant doubt on REIT's ability to continue as a going concern, Accordingly, the interim condensed financial statements have been prepared on the going concern basis.

Impairment of non-financial assets

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

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Residual and useful lives of investment properties

The Fund manager of the REIT determines the estimated residual value and useful lives of its investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

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3) BASIS OF PRESENTATION (CONTINUED)

Valuation of investment properties

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance each assets performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

4) SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the Fund's financial statements for the year ended 31 December 2021.

5) ACCRUED FUND MANAGEMENT FEES AND OTHER

The fund pays the fund manager a management fee of 0.9% per annum of the net fair value of the fund's assets, calculated on a daily basis and paid on a quarterly basis. The fund also pays the fund manager administrative fees to cover direct expenses related to the fund's business, such as the actual costs related to preparing and printing bulletins, reports and notices to investors, remuneration for members of the board of directors, supervisory fees, external auditors, appraisers' fees, and any other parties providing services to the fund and any exceptional expenses, with a maximum of, Annually 0.25% of the net fair value of the assets, and custody fees, up to a maximum of 0.1% per annum of the net fair value of the assets to be paid on a quarterly basis, and operating, maintenance and marketing fees of 5% annually of the rental income collected. The fund manager is also entitled to a 5% performance fee, the positive difference between the sale price of any property owned by the fund and the purchase price.

6) Cash at banks

		30 June 2022	31 December 2021
	Note	(Un-audited)	(Audited)
Bank balances	11	1,516,476	585,480
		1,516,476	585,480

7) RENT RECEIVABLE, NET

		30 June 2022	31 December 2021
	Note	(Un-audited)	(Audited)
Lease receivable		5,353,026	5,514,453
Provision for expected credit losses	7.1	(5,226,792)	(5,226,792)
		126,234	287,661

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(Amounts in SAR)

7) RENT RECEIVABLE, NET (CONTINUED)

7-1 The movement for expected credit losses during the Period / year is as follows:

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Balance at the beginning of the period / year	5,226,792	5,226,792
Charge during the period / year	-	-
Balance at the end of the period / year	<u>5,226,792</u>	<u>5,226,792</u>

Overdue and impaired value

Period \ Year	Total	From 1 to 90 days	From 91 to 180 days	From 181 to 270 days	From 271 to 365 days	More than 366 days
30 June 2022	5,353,026	126,234	-	-	-	5,226,792
31 December 2021	5,514,453	287,661	-	-	-	5,226,792

8) PREPAYMENTS AND OTHER BALANCE RECEIVABLES

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Real estate management fees	39,610	40,137
Registration fees	110,904	-
Refundable vat	135,942	-
	<u>286,456</u>	<u>40,137</u>

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9) INVESTMENTS PROPERTIES, NET

	Land	Building	30 June 2022 (Un-audited)	31 December 2021 (Audited)
<u>Cost</u>				
Balance beginning of the period / year	90,209,401	27,790,599	118,000,000	118,000,000
Balance end of the period / year	90,209,401	27,790,599	118,000,000	118,000,000
<u>Accumulated Depreciation</u>				
Balance beginning of the period / year	-	(4,320,668)	(4,320,668)	(3,394,315)
Depreciation charge during the period / year	-	(459,370)	(459,370)	(926,353)
Balance end of the period / year	-	(4,780,038)	(4,780,038)	(4,320,668)
<u>Impairment in value</u>				
Balance beginning of the Period / year	(27,334,905)	(2,033,914)	(29,368,819)	(31,247,522)
Reverse in value (9-4)	-	945,682	945,682	1,878,703
Balance end of the period \ year	(27,334,905)	(1,088,232)	(28,423,137)	(29,368,819)
<u>Book Value:</u>				
Balance as at 30 June 2022	62,874,496	21,922,329	84,796,825	-
Balance as at 31 December 2021	62,874,496	21,436,017	-	84,310,513

9-1 Real estate investments are represented in winery warehouses: It represents warehouses located on two lands, a northern block and a southern block located on King Faisal Road in Al-Wadi neighborhood, Jeddah.

9-2 All real estate is registered in the name of Alinma Investment ("the company"). The company holds these properties for the ownership of the usufruct of the fund and does not have any controlling interests and does not pose any risks to the investment properties.

9-3 The fund manager periodically reviews its investment properties to determine whether there is any indication of a decline in the value of assets. An impairment loss is considered at the amount that the carrying value of each investment property exceeds its recoverable value, which is higher than the fair value of the assets minus the cost of sale and value in use. According to the periodic evaluation reports submitted by the funds, the evaluation experts are independent of the fund.

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(Amounts in SAR)

9) INVESTMENTS PROPERTIES, NET (CONTINUED)

9-4 The impairment of the assets is as follows:

	31 December 2021 (Audited)			30 June 2022 (Un-audited)		
	Lands	Buildings	Total	Lands	Buildings	Total
Balance beginning of the year / period	30,444,364	803,158	31,247,522	27,334,905	2,033,914	29,368,819
Charged during the year / period	-	1,230,756	1,230,756	-	-	-
Refund during the year / period	(3,109,459)	-	(3,109,459)	-	(945,682)	(945,682)
Balance end of the year / period	27,334,905	2,033,914	29,368,819	27,334,905	1,088,232	28,423,137

10) PROFIT FROM INVESTMENTS AT FVTPL

	For the period ended 30 June 2022 (Un-audited)	For the period ended 30 June 2021 (Un-audited)
Realized gain from selling investments at FVTPL	-	174
Unrealized gain from revaluation of investments at FVTPL	-	4,366
	-	4,540

11) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties to the fund include Al-Jazira Capital "Fund Manager", "Bank Al-Jazira" (a shareholder in Al-Jazira Capital) and other managed funds managed by the Fund's Board of Directors.

In the ordinary course of its activities, the Fund transacts business with related parties. The related parties' transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are approved by the Fund Board.

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

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(Amounts in SAR)

11) BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Related Party	Nature of transactions	Amount of transactions		Balance receivable \ (payable)	
		30 June 2022 (Un-audited)	30 June 2021 (Un-audited)	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Al-Jazira Capital	Fund management fee	(373,196)	(370,534)	(188,810)	(386,184)
Bank AlJazira	Current account	-	-	1,516,476	585,480
Aljazira Saudi Riyal Murabaha	Investments at FVTPL	-	4,540	-	-
BOD members	Attendance allowance*	(10,910)	(10,910)	(76,910)	(66,000)

* Board attendance allowances are included in the financial position under Accrued expenses.

12) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

The Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with the accounting policy of the Fund, investment properties are carried at cost less accumulated depreciation and impairment losses, if any. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The fair value of real estate investments is determined by two valuers, namely, Barcode and Amam Real Estate Appraisal Company. The following is the valuation of real estate investments as of:

<u>30 June 2022 (Un-audited)</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
Investment properties	83,792,195	85,801,455	84,796,825
Total	83,792,195	85,801,455	84,796,825
<u>31 December 2021 (Audited)</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
Investment properties	83,792,195	84,828,830	84,310,513
Total	83,792,195	84,828,830	84,310,513

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 the discounted cash flow method and the cost method.

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For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

12) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED
(CONTINUED)

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Estimated fair value of investment properties	84,796,825	84,310,513
Less: Book Value of investment properties	(84,796,825)	(84,310,513)
Estimated fair value in excess of book value	-	-
Units in issue (numbers)	11,800,000	11,800,000
Value per unit relating to excess of estimated fair value over book Value of investment properties	-	-

Net asset attributable to unitholders:

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Net assets Value as per the interim condensed financial statements	84,796,825	84,310,513
Estimated Fair Value in excess of book value of investment properties	-	-
Net assets Value based on fair valuation of investment properties	84,796,825	83,310,513

Net asset attributable to each unit:

	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Net assets Value per unit based as per the interim condensed financial statements	7.22	6.99
Estimated Fair Value in excess of book value of investment properties	-	-
Net assets Value per unit based on fair valuation of investment properties	7.22	6.99

*All properties are registered in the name of Alinma Investment ("the company"). The company holds these properties for the Beneficial ownership of the fund and does not have any controlling interests and does not pose any risks to the real estate.

13) RENTAL INCOME

	30 June 2022 (Un-audited)	30 June 2021 (Un-audited)
Investment properties rental revenue	3,079,742	2,525,784
	3,079,742	2,525,784

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

14) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial instruments carried in these financial statements principally include cash and cash equivalents, Rentals receivable and measurement of investments carried at fair value through profit or loss, Due to and from related parties, and accrued administrative expenses. The particular recognition methods 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 REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

The Fund will be 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 in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The REIT 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 REIT.

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to due from related parties an obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Cash is placed with a reputable financial institution.

The following table shows maximum exposure to credit risk for the components of the statement of financial position

	<u>Note</u>	30 June 2022 (Un-audited)	31 December 2021 (Audited)
Cash at bank	6	1,516,476	585,480
Rent receivable	7	126,234	287,661

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on accrued income and bank balances is limited as:

- Cash balances, included short term deposits are held with banks with sound credit ratings from BBB+ and above.
- Rent receivables.

The rent receivables are shown net of allowance for impairment of account receivables. The Fund applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all rent receivables.

AL-JAZIRA REIT FUND
A real estate investment traded fund
Managed By Aljazira Capital Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

14) FINANCIAL INSTRUMENTS AND 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 commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

Maturity profiles

The table below shows the maturity of the Fund's significant assets and liabilities based on expected maturities:

	30 June 2022		
	(Un-audited)		
	Less than 1 year	More than 1 year	Total
Cash at bank	1,516,476	-	1,516,476
Rent receivable, net	126,234	-	126,234
Prepayments and other balance receivables	286,456	-	286,456
Accrued rental income	123,882	-	123,882
Total assets	2,053,048	-	2,053,048
Accrued fund management fees	188,810	-	188,810
Unearned rent receivables	990,251	-	990,251
Accrued custodian fees	150,695	-	150,695
Accrued expenses	305,210	-	305,210
Total liabilities	1,634,966	-	1,634,966

	31 December 2021		
	(Audited)		
	Less than 1 year	More than 1 year	Total
Cash at bank	585,480	-	585,480
Rent receivable, net	287,661	-	287,661
Prepayments and other balance receivables	40,137	-	40,137
Accrued rental income	-	-	-
Total assets	913,278	-	913,278
Accrued fund management fees	386,184	-	386,184
Unearned rent receivables	1,728,283	-	1,728,283
Accrued custodian fees	125,556	-	125,556
Accrued expenses	449,638	-	449,638
Total liabilities	2,689,661	-	2,689,661

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The fund does not have any significant exposure to currency risk as all of its monetary assets and liabilities are denominated in Saudi riyals.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Month Period Ended 30 June 2022

(Amounts in SAR)

14) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 its reputation with achieving its investment objective of generating returns to unitholders.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Assets and liabilities for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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.

15) SUBSEQUENT EVENTS

As of the date of approval of these interim condensed financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these financial statements.

16) SEGMENT INFORMATION

The fund invests in two investment properties in the Kingdom of Saudi Arabia. Since the fund invests in one segment and one country, there was no segment information presentation.

17) LAST VALUATION DAY

The last valuation day of the period was 30 June 2022.

18) APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board of Directors on 22 August 2022 corresponding to 24 Muharram 1444 H.