

AL JAZIRA REIT FUND
A real estate investment traded fund
(Managed By Al Jazira Capital Company)
Interim Condensed Financial Statements (Un-audited)
For The Six-Months Period Ended 30 June 2023
Together with the
Independent Auditor's Report

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

Interim Condensed Financial Statements
For The Six-Months Period Ended 30 June 2023
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 ALJAZIRA REIT FUND

INTRODUCTION

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

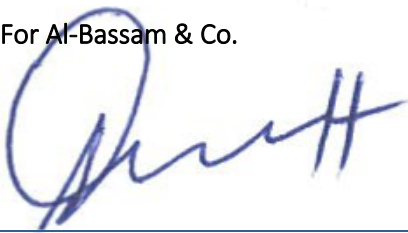
SCOPE OF REVIEW

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

CONCLUSION

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

For Al-Bassam & Co.



Ahmed A. Mohandis
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AL-JAZIRA REIT FUND
A real estate investment traded fund
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INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

(Amounts in SAR)

	Note	As at 30 June 2023 (Un-audited)	As at 31 December 2022 (Audited)
<u>ASSETS</u>			
Current assets			
Cash at banks	7	1,862,511	822,695
Rent receivable, net	8	127,500	-
Prepayments and other assets	9	183,141	193,000
Accrued Lease Income		259,881	125,935
Total current assets		2,433,033	1,141,630
Non-current assets			
Investment properties, net	10	86,824,350	85,989,904
Total non-current assets		86,824,350	85,989,904
Total assets		89,257,383	87,131,534
<u>LIABILITIES</u>			
Current liabilities			
Accrued fund management fees	11	383,406	190,655
Unearned lease income	13	685,104	1,746,961
Accrued custodian fees		75,834	50,695
Accrued expenses and other liabilities		277,202	363,997
Total current liabilities		1,421,546	2,352,308
Total liabilities		1,421,546	2,352,308
NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS		87,835,837	84,779,226
Units in issue (numbers)		11,800,000	11,800,000
Net Assets carrying value attribute for the unit		7.44	7.18
Net Assets fair value attribute for the unit	12	7.44	7.18

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For The Six-Months Period Ended 30 June 2023
(Amounts in SAR)

	Note	For the period ended 30 June 2023 (Un-audited)	For the period ended 30 June 2022 (Un-audited)
<u>REVENUES</u>			
Rental income from investment property	13	2,988,632	3,079,742
Other income		-	39,743
Total revenues		2,988,632	3,119,485
<u>EXPENSES</u>			
Properties management expenses		(114,187)	(118,235)
Fund management fees	11	(383,405)	(373,196)
Other expenses		(243,736)	(408,450)
Custody fee		(25,139)	(25,139)
Total expenses		(766,467)	(925,020)
Operating profit		2,222,165	2,194,465
Reversal of impairment in investment properties	10	1,293,816	945,682
Depreciation of investment properties	10	(459,370)	(459,370)
Net income for the period		3,056,611	2,680,777
Other comprehensive income		-	-
Total comprehensive income for the period		3,056,611	2,680,777

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

AL-JAZIRA REIT FUND
A real estate investment traded fund
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INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS (UN-AUDITED)

For The Six-Months Period Ended 30 June 2023

(Amounts in SAR)

	For the period ended 30 June 2023	For the period ended 30 June 2022
<u>Note</u>	<u>(Un-audited)</u>	<u>(Un-audited)</u>
Net assets (equity) attributable to the unitholders at the beginning of the period	84,779,226	82,534,130
Net comprehensive income for the period	3,056,611	2,680,777
Net assets (equity) attributable to the unitholders at the end of the period	87,835,837	85,214,907

The accompanying notes 1 to 20 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-Months Period Ended 30 June 2023
(Amounts in SAR)

	Note	For the period ended 30 June 2023 (Un-audited)	For the period ended 30 June 2022 (Un-audited)
<u>OPERATING ACTIVITIES</u>			
Net income for the period		3,056,611	2,680,777
<i>Adjustments to</i>			
Depreciation of investment properties	10	459,370	459,370
Reversal of impairment in investment properties	10	(1,293,816)	(945,682)
		<u>2,222,165</u>	<u>2,194,465</u>
Changes in operating assets and liabilities:			
Accrued lease income		(133,946)	(123,882)
Rent Receivable		127,500	161,427
Prepayments and other balance receivables		9,859	(246,319)
Accrued fund management fees		192,751	(197,374)
Unearned rent receivables		(1,061,857)	(738,032)
Accrued custodian fees		25,139	25,139
Accrued expenses		(86,795)	(144,428)
Net cash generated from operating activities		<u>1,039,816</u>	<u>930,996</u>
Change in cash at bank balances during the		1,039,816	930,996
Cash at bank at the beginning of the period	7	822,695	585,480
Cash at bank balances at the end of the period	7	<u>1,862,511</u>	<u>1,516,476</u>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements

AL-JAZIRA REIT FUND

A real estate investment traded fund

Managed By AL Jazira Capital Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Months Period Ended 30 June 2023

(Amounts in SAR)

1) THE FUND AND ITS ACTIVITIES

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-Jazira 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.

Alinma Investment Company ("Custodian") is the Custodian of the Fund.

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 subject to rent collections. The fund has invested mainly in warehouses in Jeddah.

2) REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") issued by the CMA. The regulations detail the requirements for 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 2022.

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 2022.

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

3.2. Basis of measurement

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.

3.3. Functional and presentation currency

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.

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Managed By AL Jazira Capital Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Months Period Ended 30 June 2023

(Amounts in SAR)

4) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognised in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 Judgments

Information about judgments 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.

4.1.1 Going concern

The Fund's manager has made an assessment of 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 Fund's ability to continue as a going concern.

4.1.2 Significant increase in credit risk

ECL are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the REIT takes into account qualitative and quantitative reasonable and supportable forward-looking information.

4.2 Assumptions and Estimation Uncertainties

4.2.1 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 an asset'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 taken into account. 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 profit or loss.

The Fund recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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(Amounts in SAR)

4) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Assumptions and Estimation Uncertainties (Continued)

4.2.2 Impairment of financial assets held at amortized cost

ECL are recognised in three stages. The expected credit loss rates are estimated using a provision matrix based on the payment profile of receivables before each reported period and corresponding historical credit losses experienced within the 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 to be the most relevant factor and accordingly adjusts the historical loss rates based on the expected changes in these factors.

the Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-months ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due

financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- The debtor is unlikely to pay its credit obligation to the fund in full, without recourse by the Fund to actions such as opening a legal case against him. or
- The financial asset is more than 180 days past due,

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

Probability of Default (PD): The likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations.

Loss Given Default: It is defined as the percentage risk of exposure that is not expected to be recovered in the event of default. It is usually expressed as a percentage of the EAD. 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.

Exposure at Default (EAD): It is defined as the outstanding debt at the time of default. This is an estimate of the exposure at a future default rate, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

As at the year end, the Fund has rents receivables as financial assets carried at amortised cost. The Fund applies a general approach in calculating ECL. The Fund has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The information about the ECLs on the Fund's rent receivables.

5) 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 2022.

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(Amounts in SAR)

6) ACCRUED FUND MANAGEMENT FEES AND OTHER

Management fees

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.

Custody fees

The Custodian is entitled for a fee up to a maximum of 0.1% per annum of the net fair value of the assets to be paid on a quarterly basis

Performance fee

The Fund Manager is entitled to 5% performance fee, the positive difference between the sale price of any property owned by the fund and the purchase price.

Operating, maintenance and marketing fees

The Property Manager is entitled for a fee of 4% per annum of the lease income collected.

Others

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 0.25% per annum of the net fair value of the assets.

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(Amounts in SAR)

7) CASH AT BANKS

	<u>Note</u>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Bank balances *	11	1,862,511	822,695
		1,862,511	822,695

*The balances are held with Al Jazira Bank ("Related Party").

8) RENT RECEIVABLE, NET

	<u>Note</u>	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Lease receivable		5,354,292	5,226,792
Provision for expected credit losses	8.1	(5,226,792)	(5,226,792)
		127,500	-

8.1 The movement for expected credit losses during the period / year is as follows:

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	(5,226,792)	(5,226,792)
Charge/(Reversal) during the period / year	-	-
Balance at the end of the period / year	(5,226,792)	(5,226,792)

9) PREPAYMENTS AND OTHER ASSETS

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Real estate management fees	27,405	69,878
Registration fees	110,904	-
Reclaim VAT	44,832	123,122
	183,141	193,000

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(Amounts in SAR)

10) INVESTMENTS PROPERTIES, NET

As at 30 June 2023

	<u>Land</u>	<u>Building</u>	<u>30 June 2023 (Un-audited)</u>
<u>Cost</u>			
Balance beginning of the period	90,209,401	27,790,599	118,000,000
Balance end of the period	90,209,401	27,790,599	118,000,000
<u>Accumulated Depreciation</u>			
Balance beginning of the period	-	(5,247,021)	(5,247,021)
Depreciation charge during the period	-	(459,370)	(459,370)
Balance end of the period	-	(5,706,391)	(5,706,391)
<u>Impairment in value</u>			
Balance beginning of the period	(25,651,980)	(1,111,095)	(26,763,075)
Reversal during the period (10-4)	481,112	812,704	1,293,816
Balance end of the period	(25,170,868)	(298,391)	(25,469,259)
<u>Book Value:</u>			
Balance as at 30 June 2023	65,038,533	21,785,817	86,824,350

As at 31 December 2022

	<u>Land</u>	<u>Building</u>	<u>31 December 2022 (Audited)</u>
<u>Cost</u>			
Balance beginning of the year	90,209,401	27,790,599	118,000,000
Balance end of the year	90,209,401	27,790,599	118,000,000
<u>Accumulated Depreciation</u>			
Balance beginning of the year	-	(4,320,668)	(4,320,668)
Depreciation charge during the year	-	(926,353)	(926,353)
Balance end of the year	-	(5,247,021)	(5,247,021)
<u>Impairment in value</u>			
Balance beginning of the year	(27,334,905)	(2,033,914)	(29,368,819)
Reversal during the year (10-4)	1,682,925	922,819	2,605,744
Balance end of the year	(25,651,980)	(1,111,095)	(26,763,075)
<u>Book Value:</u>			
Balance as at 31 December 2022	64,557,421	21,432,483	85,989,904

10-1 Real estate investments are represented in 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.

AL-JAZIRA REIT FUND**A real estate investment traded fund****Managed By AL Jazira Capital Company****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****For The Six-Months Period Ended 30 June 2023**

(Amounts in SAR)

10) INVESTMENTS PROPERTIES, NET (CONTINUED)

10-2 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.

10-3 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.

10-4 The impairment of the assets is as follows:

	30 June 2023 (Un-audited)			31 December 2022 (Audited)		
	Lands	Buildings	Total	Lands	Buildings	Total
Balance beginning of the period / year	25,651,980	1,111,095	26,763,075	27,334,905	2,033,914	29,368,819
Reversal during the period / year	(481,112)	(812,704)	(1,293,816)	(1,682,925)	(922,819)	(2,605,744)
Balance end of the period / year	25,170,868	298,391	25,469,259	25,651,980	1,111,095	26,763,075

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:

Related Party	Nature of transactions	Amount of transactions		Balance receivable \ (payable)	
		30 June 2023 (Un-audited)	30 June 2022 (Un-audited)	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Al-Jazira Capital	Fund management fee	(383,405)	(373,196)	(383,406)	(190,655)
Bank Al Jazira	Current account	-	-	1,862,511	822,695
BOD members	Attendance allowance*	(10,910)	(10,910)	(10,971)	(88,061)

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

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A real estate investment traded fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Months Period Ended 30 June 2023

(Amounts in SAR)

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

The Fund Manager evaluates the Fund's investment properties 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 2023 (Un-audited)</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
Investment properties	84,851,604	88,797,096	86,824,350
Total	84,851,604	88,797,096	86,824,350
<u>31 December 2022 (Audited)</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
Investment properties	83,889,379	88,090,429	85,989,904
Total	83,889,379	88,090,429	85,989,904

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.

	<u>30 June 2023 (Un-audited)</u>	<u>31 December 2022 (Audited)</u>
Estimated fair value of investment properties	86,824,350	85,989,904
Less: Book Value of investment properties	(86,824,350)	(85,989,904)
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:		
	<u>30 June 2023 (Un-audited)</u>	<u>31 December 2022 (Audited)</u>
Net assets Value as per the interim condensed financial statements	86,824,350	85,989,904
Estimated Fair Value in excess of book value of investment properties	-	-
Net assets Value based on fair valuation of investment properties	86,824,350	85,989,904

AL-JAZIRA REIT FUND

A real estate investment traded fund

Managed By AL Jazira Capital Company

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For The Six-Months Period Ended 30 June 2023

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

Net asset attributable to each unit:

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Net assets Value per unit based as per the interim condensed financial statements	7.44	7.18
Estimated Fair Value in excess of book value of investment properties	-	-
Net assets Value per unit based on fair valuation of investment properties	7.44	7.18

*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) UNEARNED LEASE INCOME

	30 June 2023 (Un-audited)	31 December 2022 (Audited)
Balance beginning of the period / year	1,746,961	1,728,283
Lease income received during the period / year	1,926,775	6,043,412
Lease income earned during the period / year	(2,988,632)	(6,024,734)
Balance at the end of the period / year	685,104	1,746,961

14) FAIR VALUE MEASUREMENTS

Financial assets consist of cash at bank, rental income receivables and other assets. Financial liabilities consist of deferred rental income, management fee and other payable. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

The following table shows the fair value of financial instruments and investment properties disclosed as at period / year end:

<i>Accounting classification and carrying amount</i>	<i>Fair Value</i>				
<u>30 June 2023</u> <u>(Un-audited)</u>	<i>Carried Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investment properties	86,824,350	-	-	86,824,350	86,824,350
<u>31 December 2022</u> <u>(Audited)</u>	<i>Carried Cost</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Investment properties	85,989,904	-	-	85,989,904	85,989,904

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14) FAIR VALUE MEASUREMENTS (CONTINUED)

There were no transfers between various levels of fair value hierarchy during the current period or prior year. For assets not carried at fair value but for which fair value is disclosed i.e., investment properties, the valuation was determined using Cost approach and Sales Comparison approach based on significant unobservable inputs and accordingly is included in Level 3 of the fair value hierarchy.

There were no changes to the valuation techniques during the period.

15) 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 Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

Financial instruments carried in these financial statements principally include cash at bank, rental income receivables, accrued management fee and accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund is exposed to credit risk on the following:

	<i>30 June</i> <u>2023</u>	<i>31 December</i> <u>2022</u>
Cash at banks	1,862,511	822,695
Rental receivables – Net (note 8)	127,500	-
Accrued Lease Income	259,881	125,935

The following table details the risk profile of rental receivables based on the Fund's expected credit loss matrix:

	<i>30 June</i> <u>2023</u>	<i>31 December</i> <u>2022</u>
	<i>Expected</i> <i>credit loss</i>	<i>Expected</i> <i>credit loss</i>
Less than 30 days	-	-
Between 31 to 180 days	-	-
More than 180 days	-	-
More than 360 days	5,226,792	5,226,792
	5,226,792	5,226,792

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

The Fund seeks to limit its credit risk with respect to rent receivables by charging rent in advance, and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund.

Credit risk is managed on a fund basis. For banks and financial institutions, only independently reputable related parties with a sound credit rating are accepted.

For corporate and retail customers, the Fund assess the risk control and the credit quality of the customer by taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Fund Board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

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15) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

30 June 2023	Weighted average loss rate (%)	Exposure at Default (SR)	Loss allowance (SR)	Credit impaired
0-30 days	-	-	-	-
30-180 days	-	127,500	-	No
More than 180 days	-	-	-	-
More than 360 days	100%	5,226,792	5,226,792	Yes
Total	97.62%	5,354,292	5,226,792	-

31 December 2022	Weighted average loss rate (%)	Exposure at Default (SR)	Loss allowance (SR)	Credit impaired
0-30 days	-	-	-	-
30-180 days	-	-	-	-
More than 180 days	-	-	-	-
More than 360 days	100%	5,226,792	5,226,792	Yes
Total	100%	5,226,792	5,226,792	-

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 increase the fund size or by taking short term loans from the local banks.

The table below summarises the maturity profile of the Fund's financial liabilities based on contractual undiscounted payments:

30 June 2023	Less than 1 year SR	More than 1 year SR	Total SR
Accrued fund management fees	383,406	-	383,406
Unearned lease income	685,104	-	685,104
Accrued custodian fees	75,834	-	75,834
Accrued expenses and other liabilities	277,202	-	277,202
TOTAL LIABILITIES	1,421,546	-	1,421,546

31 December 2022	Less than 1 year SR	More than 1 year SR	Total SR
Accrued fund management fees	190,655	-	190,655
Unearned rental income	1,746,961	-	1,746,961
Accrued custodian fees	50,695	-	50,695
Accrued expenses and other liabilities	363,997	-	363,997
TOTAL LIABILITIES	2,352,308	-	2,352,308

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15) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 its monetary assets and monetary liabilities are denominated in Saudi Riyals.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund manages its market risk by investing in low-risk securities as per terms and conditions of the Fund.

16) CONTINGENCIES

There are no contingencies as at the reporting date.

17) 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.

18) 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.

19) LAST VALUATION DAY

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

20) APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These Interim Condensed Financial Statements Were Approved by The Fund's Board of Directors On 10 August 2023 Corresponding To 23 Muharram 1445 H.