

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

AND INDEPENDENT AUDITOR'S REPORT

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

FINANCIAL STATEMENTS

31 December 2023

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INDEPENDENT AUDITOR'S REPORT
To The Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

Opinion

We have audited the accompanying financial statements of Alinma Retail REIT Fund (the "Fund") managed by Alinma Investment Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2023, and the related statements of comprehensive income, cash flows and changes in equity for the year then ended, and notes to the financial statements, including a material accounting policies information.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Fund as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("the Code"), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Fund's financial statements and we have fulfilled our ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT
To The Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company) (continued)

Key Audit Matters (continued)

Key Audit Matter	How the key matter was addressed in the audit
<p><u>Assessing Impairment of investment properties</u></p> <p>The Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia.</p> <p>Investment properties are held for capital appreciation and/or rental yields and are stated at cost less accumulated depreciation and any impairment losses.</p> <p>As at 31 December 2023, the carrying value of investment properties was SR 892 million (2022: SR 885 million) which was net of accumulated depreciation of SR 192 million (2022: SR 153 million) and an accumulated impairment allowance of SR 170 million (2022: SR 158 million).</p> <p>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.</p> <p>We considered this as a key audit matter since the impairment assessment of investment properties requires significant judgement and estimates by the Fund Manager and the external valuers. Any input inaccuracies or unreasonable bases used in these judgements and estimates (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the Statement of Financial Position and in the Statement of Comprehensive Income.</p> <p><i>The Fund's accounting policy for investment properties is disclosed in note 5.6, the significant accounting estimates, judgement and assumptions relating to investment properties are disclosed in note 4.1 and 4.2, related disclosures about investment properties are included in notes 6 and 7 of the accompanying financial statements.</i></p>	<p>Our audit procedures related to assessing impairment of investment properties included:</p> <ul style="list-style-type: none"> - We have obtained an understanding of the process and controls surrounding assessment of impairment of investment properties by performing walkthrough procedures. - We agreed the value of all the properties held at the year end to the valuation included in the independent management expert valuation report; - We evaluated the competency, capabilities and objectivity of work performed by the independent management expert; - On sample basis, with the help of our independent expert, we performed the following: <ul style="list-style-type: none"> o We assessed the appropriateness of valuation methods, assumptions, and estimates used by management in the process assessment of impairment of investment properties; o We engaged in discussions with management and assessed the relevant assumptions used based on market data where possible; o We tested the appropriateness of the key assumptions used in the valuation of investment properties, such as estimated rental value and yield profile applied; - We checked the accuracy of impairment loss recognized in the statement of comprehensive income during the year; and - We ensured that the financial statements contain adequate disclosures regarding the valuation methods, judgment, assumptions and estimates used in the valuation.

INDEPENDENT AUDITOR'S REPORT

**To The Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company) (continued)**

Other Information included in the Fund's 2023 Annual Report

Fund Manager is responsible for the other information. The other information comprises the information included in the Fund's 2023 annual report other than the financial statements and our auditor's report thereon. The Fund's 2023 annual report is expected to be made available to us after the date of this auditor's 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Fund's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Fund Manager and Those Charged with Governance for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncement that are endorsed by SOCPA and the applicable provisions of the Real Estate Investment Fund Regulations issued by the Board of Capital Market Authority, and the Fund's terms and conditions and the information memorandum, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA 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.

INDEPENDENT AUDITOR'S REPORT

To The Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

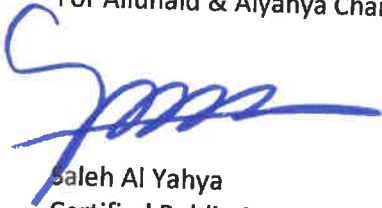
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITOR'S REPORT
To The Unitholders of Alinma Retail REIT Fund
(Managed by Alinma Investment Company) (continued)

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 Alluhaid & Alyahya Chartered Accountants



Saleh Al Yahya
Certified Public Accountant
Registration No. 473

Riyadh: 21 Ramadan 1445H
(31 March 2024)



Alinma Retail REIT Fund
(Managed by Alinma Investment Company)
STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 SR	2022 SR
ASSETS			
NON-CURRENT ASSETS			
Investment properties	6	892,137,982	884,827,327
TOTAL NON-CURRENT ASSETS		892,137,982	884,827,327
CURRENT ASSETS			
Rental income receivable	8	4,808,912	3,264,812
Prepayment and other receivables	9	4,468,210	11,666,388
Amounts due from a related party	10	1,219,338	1,219,338
Financial asset at FVTPL	11	1,953,427	-
Financial assets at amortised cost	12	25,618,215	15,047,667
Cash and bank balance		14,172,383	6,917,115
TOTAL CURRENT ASSETS		52,240,485	38,115,320
TOTAL ASSETS		944,378,467	922,942,647
LIABILITIES AND EQUITY			
NON-CURRENT LIABILITIES			
Non-current portion of lease liabilities	13	6,323,457	6,676,748
Long term borrowings	14	55,100,000	-
TOTAL NON-CURRENT LIABILITIES		61,423,457	6,676,748
CURRENT LIABILITIES			
Current portion of lease liabilities	13	650,000	650,000
Contract liabilities	15	8,185,737	409,381
Accrued expenses and other payables	16	7,671,363	8,266,421
Zakat payable	17	997,084	1,178,861
Dividends payable	26	100,086	100,086
TOTAL CURRENT LIABILITIES		17,604,270	10,604,749
TOTAL LIABILITIES		79,027,727	17,281,497
EQUITY			
Net assets attributable to unitholders		865,350,740	905,661,150
TOTAL LIABILITIES AND EQUITY		944,378,467	922,942,647
Units in issue (number)		118,000,000	118,000,000
Net assets value per unit (SR)	7	7.33	7.68
Per unit fair value (SR)	7	8.05	7.68

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
Income			
Rental income from investment properties	18	51,633,469	48,735,471
Total income		<u>51,633,469</u>	<u>48,735,471</u>
Expenses			
Depreciation on investment properties	6	(38,194,642)	(31,805,335)
Property manager fee and operating expenses	20	(20,280,974)	(20,192,839)
Management fees	10	(5,132,497)	(6,927,484)
Settlement discounts		(2,139,910)	-
General and administrative expenses	19	(2,983,069)	(2,195,587)
Reversal of (charge for) expected credit losses	8	22,510,670	(10,652,661)
Total expenses		<u>(46,220,422)</u>	<u>(71,773,906)</u>
Operating income (loss) for the year		5,413,047	(23,038,435)
Financial charges	21	(4,468,269)	(311,837)
Special commission income		182,381	47,667
Gain from financial asset at FVTPL		114,281	-
Other income		9,750	461,723
Loss for the year before impairment and zakat		<u>1,251,190</u>	<u>(22,840,882)</u>
(Charge for) reversal of impairment on investment properties	6	(11,471,600)	19,419,315
Loss for the year before zakat		<u>(10,220,410)</u>	<u>(3,421,567)</u>
Zakat	17	-	(181,777)
Net loss for the year		<u>(10,220,410)</u>	<u>(3,603,344)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(10,220,410)</u></u>	<u><u>(3,603,344)</u></u>

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	<i>Notes</i>	2023 SR	2022 SR
OPERATING ACTIVITIES			
Loss for the year before zakat		(10,220,410)	(3,421,567)
<i>Adjustments for</i>			
Depreciation on investment properties		37,716,585	31,327,278
Charge for (reversal of) impairment on investment properties		11,471,600	(19,419,315)
(Reversal of) charge for expected credit losses		(22,510,670)	10,652,661
Finance charges		4,468,270	311,837
Depreciation on right-of-use assets		478,059	478,057
Special commission income		(182,381)	(47,667)
Gain from financial asset at FVTPL		(114,281)	-
		<u>21,106,772</u>	<u>19,881,284</u>
Changes in operating assets and liabilities:			
Decrease (increase) in prepayment and other receivables		7,198,178	(315,493)
Decrease (increase) in rental income receivable		21,481,013	(5,253,068)
Increase (decrease) contract liabilities		7,261,914	(1,155,199)
(Decrease) increase in accrued expenses and other payables		(595,058)	5,827,266
Decrease in amounts due from a related party		-	463,248
Decrease in amounts due to related parties		-	(63,592)
		<u>56,452,818</u>	<u>19,384,446</u>
Cash flows from operating activities		<u>56,452,818</u>	<u>19,384,446</u>
Zakat paid		(181,777)	-
		<u>56,271,041</u>	<u>19,384,446</u>
Net cash flows from operating activities		<u>56,271,041</u>	<u>19,384,446</u>
INVESTING ACTIVITIES			
Purchase of investment properties		(56,976,897)	(364,550)
Purchases of financial assets at amortized cost		(10,500,000)	(15,000,000)
Purchase of financial asset at FVTPL		(15,111,831)	-
Proceeds from disposal of financial asset at FVTPL		13,272,686	-
Special commission income received		111,828	-
		<u>(69,204,212)</u>	<u>(15,364,550)</u>
Net cash flows used in investing activities		<u>(69,204,212)</u>	<u>(15,364,550)</u>
FINANCING ACTIVITIES			
Proceeds from drawdown of long-term borrowings		55,100,000	-
Payment of principal portion of lease liabilities		(650,000)	(650,000)
Finance cost paid		(4,171,561)	-
Distributions		(30,090,000)	(25,801,498)
		<u>20,188,439</u>	<u>(26,451,498)</u>
Net cash flows from (used in) financing activities		<u>20,188,439</u>	<u>(26,451,498)</u>
Net increase (decrease) in cash and bank balance		<u>7,255,268</u>	<u>(22,431,602)</u>
Cash and bank balance at the beginning of the year		6,917,115	29,348,717
Cash and bank balance at end of the year		<u>14,172,383</u>	<u>6,917,115</u>

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund
 (Managed by Alinma Investment Company)

STATEMENT OF CHANGES IN EQUITY
 For the year ended 31 December 2023

	2023 SR	2022 SR
EQUITY AT THE BEGINNING OF THE YEAR	905,661,150	932,864,494
Comprehensive loss:		
Net loss for the year	(10,220,410)	(3,603,344)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	(10,220,410)	(3,603,344)
Distributions (note 26)	(30,090,000)	(23,600,000)
EQUITY AT THE END OF THE YEAR	<u>865,350,740</u>	<u>905,661,150</u>
REDEEMABLE UNIT TRANSACTIONS		
Transactions in redeemable units for the year are summarized as follows:		
	2023 Units	2022 Units
UNITS AT THE BEGINNING AND END OF THE YEAR	<u>118,000,000</u>	<u>118,000,000</u>

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1 INCORPORATION AND ACTIVITIES

Alinma Retail REIT Fund (the "Fund") is a closed-ended real estate investment traded fund established on 24 Dhul Qa'dah 1439H (corresponding to 6 August 2018). The Fund is listed on the Saudi Stock Exchange ("Tadawul"). The Capital of the Fund is SR 1,180,000,000 divided into 118,000,000 units of SR 10 each. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of the Capital Market Authority ("CMA").

The Fund is managed by Alinma Investment Company (the "Fund Manager"), a closed joint stock company with commercial registration number 1010269764, licensed by the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") under license number 09134-37.

While the Fund will primarily invest in developed real estate assets which are ready for use, it may also opportunistically invest in real estate development projects in a value not exceeding 25% of the Fund's total asset value with the aim of achieving an increase in value per unit; provided that:

- (i) at least 75% of the Fund's total assets are invested in developed real estate assets which generate periodic income and;
- (ii) the Fund shall not invest in white land.

In addition, the Fund can also invest up to 25% of the total value of the Fund according to the latest audited financial statements in each of the following, provided that all these investments are Shariah compliant:

- (i) Units of Real Estate Traded Funds publicly offered in the Saudi Stock Exchange and licensed by CMA,
- (ii) Units of private real estate funds licensed by CMA,
- (iii) Real estate investments outside the Kingdom of Saudi Arabia,
- (iv) Cash liquidity / holding of cash,
- (v) Money market funds publicly offered and licensed by CMA,
- (vi) Shares of real estate companies listed on the Saudi Stock Exchange and licensed by CMA, and;
- (vii) Usufruct rights.

The Fund has appointed AlBilad Investment Company (the "Custodian") to act as its custodian. The fees of the custodian are paid by the Fund.

2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") instructions 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 PREPARATION

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by the Saudi Organization for Chartered and Professional Accountants, (collectively hereafter referred to as IFRS as endorsed in the Kingdom of Saudi Arabia).

The financial statements have been prepared under the historical cost convention using the accrual basis of accounting except for financial assets held at FVTPL which are measured at fair value.

The Fund Manager has prepared the financial statements on the basis that it will continue to operate as a going concern.

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Alinma Retail REIT Fund
(Managed by Alinma Investment Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the ordinary course of business, the preparation of financial statements requires management to make judgments, 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 are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

4.1 Useful lives of investment properties

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 change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 6.1.

4.2 Impairment 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 of disposal and its value in use. The fair value less costs of disposal 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 of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the investment properties being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different investment properties, are disclosed and further explained in Note 22.

4.3 Impairment of financial assets held at amortised cost

The Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs 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. 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.

As at the year end, the Fund has rents receivable and amounts due from a related party as financial assets carried at amortised cost. For rental income receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision 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 rental income receivables is disclosed in note 8 and note 24.1 in these financial statements.

4.4 Leases - Estimating the incremental borrowing rate

The Fund cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Fund would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Fund 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Fund estimates the IBR using observable inputs such as market interest rates, as and when available.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.5 Determining the lease term

The Fund as a lessee determines the lease term as the non-cancellable period of a lease, together with both:
(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and;
(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.
For contracts that include extension and termination options, the Fund uses judgement in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. In doing so, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. Those factors include current and expected retail unit performance, availability, cost and other terms of substitutes, magnitude of leasehold improvements, length of extension or renewal, and cost of extension or renewal. Following the commencement date, the Fund reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Fund and affects its assessment on whether or not to exercise an option previously included in its determination of the lease term.

4.6 Going concern

The Fund Manager 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 the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5 MATERIAL ACCOUNTING POLICIES INFORMATION

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

5.1 Financial instruments

5.1.1 Financial Instruments - Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.1 Financial instruments (continued)

5.1.1 Financial Instruments - Initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets measured at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Fund's financial assets at amortised cost includes bank balance, Murabaha and accrued special commission.

Financial assets measured at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes investment in mutual funds. Dividends are recognised in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of financial position) 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.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

ii) Financial liabilities

Initial recognition and measurement

The Fund's financial liabilities include dividend payable, accrued expenses and other liabilities, contract liabilities and other long-term borrowings. Financial liabilities are measured at amortised cost.

Subsequent measurement

Financial liabilities at amortised cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.1 Financial instruments (continued)

iii) Financial liabilities (continued)

Derecognition

Financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

5.1.2 **Current versus non-current classification**

The Fund presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
 - Held primarily for the purpose of trading
 - Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle
 - a liability for at least twelve months after the reporting period
 - All other assets are classified as non-current

A liability is current when:

- It is expected to be settled in the normal operating cycle
 - It is held primarily for the purpose of trading
 - It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Fund classifies all other liabilities as non-current

5.2 **Fair value measurement**

The Fund measures financial instruments such as investments in mutual funds unit at fair value at each balance sheet date.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.2 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each year. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed are discussed in note 22.

5.3 Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

5.4 Right-of-use assets

The Fund recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

5.5 Lease liabilities

At the commencement date of the lease, the Fund recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Fund and payments of penalties for terminating a lease, if the lease term reflects the Fund exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.6 Investment properties

Investment properties comprise completed freehold or leasehold properties that are held to earn rentals or for capital appreciation or both. Investment properties under freehold are stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the items. Whereas investment properties under leasehold are accounted for in accordance with IFRS 16. The cost less estimated residual value, if any, of investment property under freehold is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost.

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Fund considers the effects of variable consideration, the existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

The fair value of investment properties is disclosed in note 7 and 22 in these financial statements.

5.7 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Fund has received consideration from the customer. Contract liabilities are recognised as revenue when the Fund performs under the contract.

5.8 Management fees, custodian fees and other expenses

Management fees, custodian fees, administration fees and other expenses are charged at rates / amounts within limits mentioned in the terms and conditions of the Fund.

5.9 Rental income

Rental income from operating lease of property is recognized on a straight-line basis over the term of the operating lease. In addition, the Fund subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Fund's subleases are classified as operating leases.

5.10 Net assets value

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year-end.

5.11 Distribution

The Fund has a policy of distributing and paying at least 90% percent of the Fund's net profits on semi-annual basis, the fund manager can make additional distributions during the year.

5.12 Finance Cost

Finance cost is recognized in statement of comprehensive income in the period in which they are incurred.

5.13 Zakat

Zakat is provided for in accordance with Zakat, Tax and Customs Authority ("ZATCA") regulations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are made.

5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.14 New standards, amendments and interpretations issued and effective on or after 1 January 2023

The Fund applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Funds financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Funds financial statements.

Disclosure of Accounting Policies Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Fund disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the financial statements of the Fund.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the financial statements of the Fund.

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5 MATERIAL ACCOUNTING POLICIES INFORMATION (continued)

5.15 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<u>Standards / amendments to standards / interpretations</u>	<u>Effective date</u>
<i>Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants -Amendments to IAS 1</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback -Amendments to IFRS 16</i>	1 January 2024
<i>Disclosures: Supplier Finance Arrangements -Amendments to IAS 7 and IFRS 7</i>	1 January 2024
<i>Lack of exchangeability - Amendments to IAS 21</i>	1 January 2025

6 INVESTMENT PROPERTIES

The composition of the investment properties as of the reporting date is summarized below:

31 December 2023

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Accumulated Impairment (note 6.3.5) SR</i>	<i>Net book value SR</i>
Hafar Al-Batin Mall	473,741,902	(77,887,644)	(82,674,258)	313,180,000
Al Khair Mall	325,365,563	(34,781,699)	-	290,583,864
Tabuk Mall	221,873,668	(33,765,797)	(87,017,869)	101,090,002
Dawadmi Mall	177,313,210	(44,053,178)	-	133,260,032
Signature Mall	55,103,000	(1,078,916)	-	54,024,084
	<u>1,253,397,343</u>	<u>(191,567,234)</u>	<u>(169,692,127)</u>	<u>892,137,982</u>

31 December 2022

<i>Description</i>	<i>Cost SR</i>	<i>Accumulated depreciation SR</i>	<i>Accumulated Impairment (note 6.3.5) SR</i>	<i>Net book value SR</i>
Hafar Al-Batin Mall	472,087,598	(65,479,292)	(60,418,306)	346,190,000
Al Khair Mall	325,168,704	(23,879,415)	(20,364,289)	280,925,000
Tabuk Mall	221,873,667	(28,908,141)	(57,880,527)	135,084,999
Dawadmi Mall	177,290,478	(35,105,745)	(19,557,405)	122,627,328
	<u>1,196,420,447</u>	<u>(153,372,593)</u>	<u>(158,220,527)</u>	<u>884,827,327</u>

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6 INVESTMENT PROPERTIES (continued)

6.1 The movement in the investment properties during the year is as follows:

	<i>Land and buildings SR</i>	<i>Right-of-use asset SR</i>	<i>Total SR</i>
Cost			
Balance as at 1 January 2022	1,187,461,337	8,594,560	1,196,055,897
Additions during the year	364,550	-	364,550
Balance as at 31 December 2022	1,187,825,887	8,594,560	1,196,420,447
Additions during the year	56,976,897	-	56,976,897
Balance as at 31 December 2023	1,244,802,784	8,594,560	1,253,397,344
Accumulated depreciation			
Balance as at 1 January 2022	120,133,084	1,434,174	121,567,258
Depreciation charge during the year	31,327,276	478,059	31,805,335
Balance as at 31 December 2022	151,460,360	1,912,233	153,372,593
Depreciation charge during the year	37,716,585	478,057	38,194,642
Balance as at 31 December 2023	189,176,945	2,390,290	191,567,235
Accumulated impairment			
Balance as at 1 January 2022	177,639,842	-	177,639,842
Impairment reversal during the year	(19,419,315)	-	(19,419,315)
Balance as at 31 December 2022	158,220,527	-	158,220,527
Impairment charged during the year	11,471,600	-	11,471,600
Balance as at 31 December 2023	169,692,127	-	169,692,127
Net book amount as at 31 December 2023	885,933,712	6,204,270	892,137,982
Net book amount as at 31 December 2022	878,145,000	6,682,327	884,827,327

Included above within land and buildings is land amounted to SR 340,187,260 (2022: SR 312,274,760).

During the year, depreciation charged to the statement of comprehensive income amounted to SR 37,716,585 (2022: SR 31,805,335).

6.1.1 The useful lives of freehold properties are assessed at 25 years from date of acquisition.

6.1.2 The useful life of Dawadmi Mall (leasehold) is assessed at 19 years from the date of acquisition.

6.2 Freehold and leasehold properties

Land comprises of the lands acquired or leased on which the buildings are built. The Fund acquired freehold properties in Riyadh, Hafar Al-Batin and Tabuk with an aggregate area of 185,721 square meter of land. The consideration for the properties was partly paid in cash and partly settled through issuance of 79,060,000 units of the Fund. Additionally, the Fund leased land in Dawadmi with an area of 72,678 square meter of land.

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6 INVESTMENT PROPERTIES (continued)

6.3 Listed below are the details of the investment properties:

PROPERTY	DISCRIPTION
Dawadmi Mall	This property is a fully constructed commercial facility on a leasehold land, located in Dawadmi, Kingdom of Saudi Arabia ("KSA").
Alkhair Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Malga District, Riyadh, KSA.
Hafar Al-Batin Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Rayan District, Hafar Al-Batin, KSA.
Tabuk Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Rajhi District, Tabuk, KSA.
Signature Mall	This property is a fully constructed commercial facility on a freehold land, located in Al Suhada District, Riyadh, KSA.

6.4 Impairment of investment properties

During the year, the investment properties were tested for impairment and the management recognized a net charge of SR 11,471,600 (2022: recognized a reversal of SR 19,419,315) to adjust the value of its investment properties to its recoverable amount based on the average value as at the reporting period determined by the independent evaluators as shown in note 7. The key assumptions used for valuation as at 31 December for these investment properties are disclosed in note 22.

6.5 Ownership of investment properties

All properties are held in the name of Wabel Fund Company (the "SPV"), except for Dawadmi land which is a leased property. The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

7 EFFECTS ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with Article 36 of the REIFR issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's real estate assets based on two evaluations prepared by independent evaluators. However, investment in real estate properties are carried at cost less depreciation and impairment, if any, in these financial statements.

The fair value measurement of the investment properties are determined by two selected independent valuers accredited by the Saudi Authority for Accredited Valuers ("Taqeem"), i.e., Abaad Real Estate Valuation Company, and Value Experts Real Estate Valuation Company. The valuers are independent, not related to the Fund, who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued.

The discounted cash flow ("DCF") and income capitalisation valuation model (refer note 22) has been applied in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council ("IVSC") and applied by Saudi Authority for Accredited Valuers ("TAQEEM").

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7 EFFECTS ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

7.1 As at 31 December 2023, the valuation of the investment properties are as follows:

31 December 2023	Appraiser 1 SR	Appraiser 2 SR	Average SR
Hafar Al-Batin Mall	299,100,000	327,260,000	313,180,000
Al Khair Mall	329,200,000	376,080,000	352,640,000
Tabuk Mall	100,200,000	101,980,000	101,090,000
Dawadmi Mall	125,300,000	135,530,000	130,415,000
Signature Mall	66,700,000	69,340,000	68,020,000
	<u>920,500,000</u>	<u>1,010,190,000</u>	<u>965,345,000</u>
31 December 2022	Appraiser 1 SR	Appraiser 2 SR	Average SR
Hafar Al-Batin Mall	351,400,000	340,980,000	346,190,000
Al Khair Mall	266,000,000	295,850,000	280,925,000
Tabuk Mall	141,800,000	128,370,000	135,085,000
Dawadmi Mall	93,200,000	138,690,000	115,945,000
	<u>852,400,000</u>	<u>903,890,000</u>	<u>878,145,000</u>

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration a number of factors, including the area and type of property and rent amount. The inputs used in the above level 3 fair valuation are disclosed in note 22.

7.2 The unrealized loss on investment properties based on fair value evaluation is set out below:

	2023 SR	2022 SR
Average fair value of investment properties (note 7.1)	965,345,000	878,145,000
Less: Carrying value of investment properties (note 6.1)	(885,933,712)	(878,145,000)
Net impact based on the fair value	<u>79,411,288</u>	<u>-</u>
Units in issue (numbers)	<u>118,000,000</u>	<u>118,000,000</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.72</u>	<u>-</u>

7.3 The net asset value using the fair values of the real estate properties is set out below:

	2023 SR	2022 SR
Net assets value at cost	865,350,740	905,661,150
Net impact based on evaluations	<u>79,411,288</u>	<u>-</u>
Net assets based on fair value	<u>944,762,028</u>	<u>905,661,150</u>

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7 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)

7.4 The net asset value per unit, using the fair values of the real estate properties is set out below:

	2023 SR	2022 SR
Net assets value per unit at cost	7.33	7.68
Impact on net assets value per unit on account of unrealised profit based on fair valuations	0.72	-
Net assets value per unit based on fair value	<u>8.05</u>	<u>7.68</u>

8 RENTAL INCOME RECEIVABLE

This represents rental income receivable from the investment properties in accordance with the terms of the corresponding tenancy agreements. Rental income receivables are current in nature.

As at 31 December 2023, the Fund had an allowance for expected credit losses amounting to SR 27,278,124 (2022: SR 49,788,794). Information about the Fund's exposure to expected credit loss are shown in note 21.1.

	2023 SR	2022 SR
Rental income receivable	32,087,036	53,053,606
Less: Allowance for expected credit losses	(27,278,124)	(49,788,794)
	<u>4,808,912</u>	<u>3,264,812</u>

Following is the aging analysis of rental income receivables as at the reporting date:

	2023 SR	2022 SR
Less than 90 days	921,845	1,656,323
Between 91 to 180 days	3,033,022	2,113,640
Between 181 to 360 days	5,307,749	10,119,412
More than 360 days	22,824,420	39,164,231
	<u>32,087,036</u>	<u>53,053,606</u>

Following is the movement of allowance for expected credit losses as at the reporting date:

	2023 SR	2022 SR
At the beginning of the year	49,788,794	39,136,133
(Reversal of) charge for the year	(22,510,670)	10,652,661
At the end of the year	<u>27,278,124</u>	<u>49,788,794</u>

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9 PREPAYMENT AND OTHER RECEIVABLES

	2023 SR	2022 SR
Trade receivable	2,932,168	2,575,841
Receivable from ZATCA*	1,467,685	9,047,230
Prepaid expenses	68,357	43,317
	4,468,210	11,666,388

* During 2021, the Fund has received value added tax ("VAT") assessments from the ZATCA for the period ended 31 December 2018 and year ended 31 December 2021 amounting to SR 18,276,974 for non-submission and payment of its VAT returns. The Fund has filed an appeal during the financial year 2021 with ZATCA and the General Secretariate of Tax Committees ("GSTC") stating that the Fund has submitted and paid the due amounts of VAT through one of its related parties and believes that as the VAT was calculated and submitted based on the regulations of ZATCA accordingly, the demand is not justified. The amount of SR 9,047,230 represented the payments made to ZATCA as for the eligibility to file an appeal. During the year ended 31 December 2023 the GSTC has issued final appeal decision in favour of the Fund.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Fund Manager and entities / persons related to Fund Manager are considered as related parties of the Fund. In the ordinary course of its activities, the Fund transacts business with its related parties. All the related party transactions are approved by the Fund's Board of Directors.

a) Management fee

In consideration for managing the assets of the Fund, the Fund Manager in accordance with the terms and conditions of the Fund charges the Fund a management fee equal to 0.75% (2022: 0.75%) of the net asset value of the Fund given that it does not exceed 12% of the funds operating cash flow. Management fees is calculated and payable on quarterly basis.

b) Board of Directors remuneration

Each independent member of the Board of Directors is allowed a remuneration of SR 5,000 (2022: SR 5,000) per board meeting.

10.1 Related party transactions

Following are the details of the transactions with related parties during the year:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>	2023 SR	2022 SR
Alinma Investment Company	Fund Manager	Management fees	(5,132,497)	(6,927,484)
Fund Board	Board Members	Fund Board fee	(57,500)	(25,000)

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10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.2 Related party balances

Following are the details of the related party balances at the year-end:

a) Amounts due from a related party

	2023 SR	2022 SR
SWICORP	<u>1,219,338</u>	<u>1,219,338</u>

As at 31 December 2023, board members of the Fund held 340,000 units (2022: 340,000 units).

11 FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL represents investment of 156,621 units in Alinma Saudi Riyal Liquidity Fund, an open-ended mutual fund managed by the Fund Manager. The primary objective of the investee Fund is to invest in Shariah compliant Murabaha contract.

	31 December 2023	
	Cost (SR)	Market value (SR)
Alinma Saudi Riyal Liquidity Fund	<u>1,886,160</u>	<u>1,953,427</u>

12 FINANCIAL ASSETS AT AMORTISED COST

	2023 SR	2022 SR
Wakala investment (i)	25,500,000	15,000,000
Accrued Special commission income	<u>118,215</u>	<u>47,667</u>
	<u>25,618,215</u>	<u>15,047,667</u>

(i) This represents investments placed with an investment company operating in Kingdom of Saudi Arabia maturity within 1 year and carries an average special commission income rate of 5.75% per annum (31 December 2022: 4.4%).

13 LEASE LIABILITIES

	2023 SR	2022 SR
Balance at the beginning of the year	7,326,748	7,664,911
Add: finance charges	296,709	311,837
Less: payments made during the year	<u>(650,000)</u>	<u>(650,000)</u>
Balance at the end of the year	6,973,457	7,326,748
Less: Current portion of lease liabilities	<u>(650,000)</u>	<u>(650,000)</u>
Non-current portion of lease liabilities	<u>6,323,457</u>	<u>6,676,748</u>

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14 LONG-TERM BORROWINGS

On 7 November 2022, the SPV of the Fund, on behalf of the Fund, entered into a financing agreement ("agreement") with Alinma Bank (the "Bank") amounting to SR 750 million to finance acquisition of properties. During the year, the Fund had made a drawdown of SR 55.1 million, and SR 694.9 million represents the unused portion of the facility.

The agreement bears a commission rate of three-month Saibor + 1.3% per annum, payable annually. The principal amount is scheduled to be paid in full at the end of the term of agreement on 30 November 2030.

The agreement is secured against the pledge of title deed of the investment property (Signature Mall) (note 6).

The agreement is subjected to covenant clauses, whereby the Fund is required to meet certain requirements. As of 31 December 2023, the Fund in compliance with these requirements.

During the year ended 31 December 2023, the Fund incurred financial charges amounting to SR 4,171,560.

15 CONTRACT LIABILITY

Unearned rental income represents rental income received during the year but not yet recognised as revenue. The movement in contract liabilities for the year is as follows:

	2023 SR	2022 SR
At the beginning of the year	409,381	1,564,580
Received during the year	59,409,825	47,580,272
Recognized during the year	(51,633,469)	(48,735,471)
At the end of the year	8,185,737	409,381

16 ACCRUED EXPENSES AND OTHER PAYABLES

	2023 SR	2022 SR
Management fees (note 10)	6,371,166	7,125,057
Value added tax payable	1,049,895	552,589
Custody fees	83,913	132,413
Property manager fees	-	335,534
Other expenses	166,389	120,828
	7,671,363	8,266,421

17 ZAKAT

17.1 Charge for the year

Zakat charge amounting to SR nil (2022: SR 3,259,697) provided in the statement of comprehensive income for the year ended 31 December 2023 consists of current year provision. The current year's provision is based on the following:

	2023 SR	2022 SR
Unitholders equity	-	956,364,406
Unitholders account and provisions	-	47,869,346
Book value of long term assets and other assets	-	(1,043,047,854)
	-	(38,814,102)
Zakat base before adjusted net loss for the Gregorian year	-	(40,020,190)
Adjusted net loss for the year (note 17.2)	-	7,231,094
	-	(32,789,096)

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17 ZAKAT (continued)

Zakat is payable at 2.5% higher of approximate zakat base or adjusted net income.

17.2 Adjusted net loss

	2023 SR	2022 SR
Loss before zakat	-	(3,421,567)
Add: Provisions charged during the year	-	10,652,661
Adjusted net loss for the year	<u>-</u>	<u>7,231,094</u>

17.3 Zakat provision

The movement in the zakat provision for the years ended 31 December is as follows:

	2023 SR	2022 SR
At the beginning of the year	-	997,084
Charged during the year	-	181,777
Paid during the year	-	-
At the end of the year	<u>-</u>	<u>1,178,861</u>

17.4 Status of assessment

The Ministry of Finance has issued a resolution (“MR”) numbered 29791, dated 9 Jumada Al-Awwal 1444 H (corresponding to 3 December 2022) publishing certain zakat filing rules to be complied by investment funds in the Kingdom of Saudi Arabia, applicable for the financial year 2023. According to the MR the Fund is not subject to zakat or tax, however, will be required to file certain financial information with Zakat, Tax and Customs Authority (“ZATCA”) commencing 1 January 2023. The filing with ZATCA is due by 30 April 2024.

18 RENTAL INCOME FROM INVESTMENT PROPERTIES

	2023 SR	2022 SR
Rental income	<u>51,633,469</u>	<u>48,735,471</u>

- (i) The Fund’s rental income from investment properties is concentrated within one operating segment and geographical region of the Kingdom of Saudi Arabia, comprising of 5 investment properties having signed annual rental as disclosed in note 6.3.

19 GENERAL AND ADMINISTRATIVE EXPENSES

	2023 SR	2022 SR
Professional fees	928,100	311,649
Property insurance	486,614	597,232
Administration fees	458,515	336,006
Regulator fees	400,000	400,000
Legal fees	195,685	64,793
Listing fees	190,679	101,457
Custodian fees	181,024	205,310
Board oversight fees	57,500	25,000
Other expenses	84,952	154,140
	<u>2,983,069</u>	<u>2,195,587</u>

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20 PROPERTY MANAGER FEE AND OPERATING EXPENSES

	2023 SR	2022 SR
Operating expenses	17,186,882	16,068,039
Property manager fees	3,094,092	4,124,800
	<u>20,280,974</u>	<u>20,192,839</u>

21 FINANCIAL CHARGES

	2023 SR	2022 SR
Long-term borrowings finance charge	4,171,560	-
Lease liability finance charge	296,709	311,837
	<u>4,468,269</u>	<u>311,837</u>

22 FAIR VALUE MEASUREMENT

22.1 Financial assets

Financial assets consist of cash and bank balance, rental income receivables, due from a related party, financial assets at amortised cost and other receivables. Financial liabilities consist of dividends payable, due to related parties, and management fee payable lease liabilities and long-term borrowing. The fair values of financial assets and financial liabilities are not materially different from their carrying values due to short term nature and are classified as level 2.

As at 31 December 2023	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial assets at FVTPL (note 11)	-	1,953,427	-	1,953,427

22.2 Non-financial assets

The following table shows the fair value of investment properties disclosed as at year end:

31 December 2023	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Investment properties</i>				
Hafar Al-Batin Mall	-	-	313,180,000	313,180,000
Al Khair Mall	-	-	352,640,000	352,640,000
Tabuk Mall	-	-	101,090,000	101,090,000
Dawadmi Mall	-	-	130,415,000	130,415,000
Signature Mall	-	-	68,020,000	68,020,000
	<u>-</u>	<u>-</u>	<u>965,345,000</u>	<u>965,345,000</u>
31 December 2022	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
<i>Investment properties</i>				
Hafar Al-Batin Mall	-	-	346,190,000	346,190,000
Al Khair Mall	-	-	280,925,000	280,925,000
Tabuk Mall	-	-	135,085,000	135,085,000
Dawadmi Mall	-	-	115,945,000	115,945,000
	<u>-</u>	<u>-</u>	<u>878,145,000</u>	<u>878,145,000</u>

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22 FAIR VALUE MEASUREMENT (Continued)

When the fair value of items disclosed in these financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The key assumptions are listed below.

Changes in assumptions about these factors could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

The fair values of investment properties were assessed by ABAAD Company and VALUE EXPERT Company as disclosed in note 7. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors (“RICS”) Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council (“IVSC”) and applied by Saudi Authority for Accredited Valuers (“TAQEEM”).

<i>Valuation approach</i>	<i>Key assumptions</i>	<i>Range</i>	
		<i>2023</i>	<i>2022</i>
Discounted cash flow	Discount rate (%)	10.30% - 11.55%	10.81% - 11.51%
	Growth rate (%)	2.8%-2.01%	2.8% - 2.01%
	Capitalization rate (%)	7.5% - 9%	7.5% - 9%
	Vacancy (%)	8 - 60	25

23 LEASE COMMITMENTS

Future rental commitments under the leases are as follows:

	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
No later than one year	43,590,249	45,428,046
Later than one year and not later than five years	93,688,679	119,621,212
Later than five years	42,418,663	63,906,047
	<u>179,697,591</u>	<u>228,955,305</u>

24 FINANCIAL RISK MANAGEMENT

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

The Fund has its terms and conditions document that sets out its overall business strategies, its tolerance of risks and its general risk management philosophy.

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24 FINANCIAL RISK MANAGEMENT (Continued)

24.1 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 risks on the following financial instruments:

	2023 SR	2022 SR
Financial assets at amortised cost	25,618,215	15,047,667
Cash and bank balance	14,172,383	6,917,115
Rental income receivables (note 8)	4,808,912	3,264,812
Trade receivable	2,932,168	2,575,841
Amounts due from a related party (note 10)	1,219,338	1,219,338
	<u>48,751,016</u>	<u>29,024,773</u>

The carrying amount of financial assets represents the maximum credit exposure. The Fund seeks to limit its credit risk with respect to rental income receivables by charging rent in advance, and by monitoring outstanding balances on an ongoing basis with the actual results for the Fund. As at the year-end, the related parties have sound financial position and have the ability to repay their debts towards the Fund. For banks and financial institutions, the Fund only deals with reputable banks with sound credit ratings.

24.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments.

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

31 December 2023	On demand SR	Less than 12 months SR	More than 12 months SR	Total SR
Lease liabilities	-	650,000	8,450,000	9,100,000
Contract liabilities	-	8,185,737		8,185,737
Dividends payable	100,086	-		100,086
Long term borrowing	-	-	55,100,000	55,100,000
	<u>100,086</u>	<u>8,835,737</u>	<u>63,550,000</u>	<u>72,485,823</u>

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24 FINANCIAL RISK MANAGEMENT (Continued)

24.2 Liquidity risk (Continued)

<i>31 December 2022</i>	<i>On demand</i> SR	<i>Less than</i> <i>12 months</i> SR	<i>More than</i> <i>12 months</i> SR	<i>Total</i> SR
Lease liabilities	-	650,000	9,100,000	9,750,000
Contract liabilities	-	409,381	-	409,381
Dividends payable	100,086	-	-	100,086
	<u>100,086</u>	<u>1,059,381</u>	<u>9,100,000</u>	<u>10,259,467</u>

24.3 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.

25 OPERATING SEGMENT

The Fund is organised into one operating segment. All of the Fund's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the fund as one segment.

26 DISTRIBUTIONS

In accordance with the approved terms and conditions of the Fund, the Fund's Board announced profit distribution of SR 30,090,000 as following.

- On 5 April 2023 the fund board approved distribution of SR 0.125 per unit totalling to SR 14,750,000
- On 4 July 2023 the fund board approved distribution of SR 0.13 per unit totalling to SR 15,340,000

An amount of SR 30,090,000 (2022: SR 25,801,498) was paid during the year ended 31 December 2023. Furthermore, As of 31 December 2023, an amount of SR 100,086 (2021: SR 100,086) is still payable in relation to Fund's distribution.

27 LAST VALUATION DAY

The last valuation day for the year was 31 December 2023 (2022: 31 December 2022).

28 EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date the board of the Fund announced profit distribution of SR 0.17 per unit totaling to SR 20,060,000 which is payable on 9th of January 2024.

29 APPROVALS OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board of Directors on 19 Ramadan 1445H (corresponding to 29 March 2024).