

**AL-JAZIRA REIT FUND  
(MANAGED BY ALJAZIRA CAPITAL COMPANY)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
WITH INDEPENDENT AUDITOR'S REPORT**

**AL-JAZIRA REIT FUND**  
**A Real Estate Investment Traded**  
**Financial Statements**  
**For the year ended 31 December 2022**  
**with the Independent Auditor's Report**

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**TO THE UNITHOLDERS AL-JAZIRA REIT FUND**  
**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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**OPINION**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with 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”).

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

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets attributable to unit holders for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

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**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (“ISA”) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**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 (CONTINUED)

### TO THE UNITHOLDERS AL-JAZIRA REIT FUND

### REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

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#### KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Al-Jazira REIT Fund owns a portfolio of investment properties comprising of commercial warehouses located in the Kingdom of Saudi Arabia.</p> <p>Investment properties, held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any impairment losses.</p> <p>Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the fund's investment properties on semi-annual basis.</p> <p>We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements.</p>	<p>For impairment of investment properties, we have carried out the following audit procedures:</p> <ul style="list-style-type: none"> <li>■ We Obtained two valuation reports from different/ independent real estate evaluators for each investment properties as at 31 December 2022 and confirmed that the valuation approaches are suitable for use in determining the fair values as at the reporting date;</li> <li>■ We assessed the independence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;</li> <li>■ Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same except for certain properties, which had an effect of impairment and was therefore recorded by the Fund's management; and</li> <li>■ We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE UNITHOLDERS AL-JAZIRA REIT FUND

### REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

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#### OTHER INFORMATION

Other information consists of the information included in the Fund's 2022 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

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

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

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

Funds' Management 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 pronouncements endorsed by (SOCPA) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



**PKF**

**Ibrahim Ahmed Al-Bassam & Co.**  
Certified Public Accountants  
(Member of PKF International)

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS AL-JAZIRA REIT FUND

REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

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### 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing 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 management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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Ibrahim Ahmed Al-Bassam & Co.  
Certified Public Accountants  
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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE UNITHOLDERS AL-JAZIRA REIT FUND

### REPORT ON THE AUDIT OF FINANCIAL STATEMENT (CONTINUED)

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

- 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 compiled with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine 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 communications.

For Al-Bassam & Co.



Ahmed A. Mohandis  
Certified Public Accountant  
License No. 477  
Riyadh: 6 Ramadan 1444H  
Corresponding to: 28 March 2023G

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**AL-JAZIRA REIT FUND**  
A Real Estate Investment Traded  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2022  
(Amounts in SAR)

	Note	As at 31 December 2022	As at 31 December 2021
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash at bank	8	822,695	585,480
Rent receivable, net	9	-	287,661
Accrued Lease Income		125,935	-
Prepayments and other assets	11	193,000	40,137
<b>Total current assets</b>		<b>1,141,630</b>	913,278
<b><u>Non-current assets</u></b>			
Investment properties, net	12	85,989,904	84,310,513
<b>Total non-current assets</b>		<b>85,989,904</b>	84,310,513
<b>Total assets</b>		<b>87,131,534</b>	85,223,791
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Accrued fund management fees	14	190,655	386,184
Unearned rental income	15	1,746,961	1,728,283
Accrued custodian fees	14	50,695	125,556
Accrued expenses and other liabilities		363,997	449,638
<b>Total current liabilities</b>		<b>2,352,308</b>	2,689,661
<b>Total liabilities</b>		<b>2,352,308</b>	2,689,661
<b>NET ASSETS ATTRIBUTE TO UNITHOLDERS</b>		<b>84,779,226</b>	82,534,130
<b>Units in issue (<i>numbers</i>)</b>		<b>11,800,000</b>	11,800,000
<b>Assets carrying value attribute for the unit</b>		<b>7.18</b>	6.99
<b>Assets fair value attribute for the unit</b>	16	<b>7.18</b>	6.99

The accompanying notes 1 to 26 form an integral part of these financial statements.



**AL-JAZIRA REIT FUND**  
A Real Estate Investment Traded  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2022  
(Amounts in SAR)

	Note	<b>For the year ended 31 December 2022</b>	For the year ended 31 December 2021
<b><u>INCOME</u></b>			
Rental income from investment property		<b>6,024,734</b>	5,238,252
Realized gain from investments carried at FVTPL	13	<b>6,108</b>	10,394
Other income		<b>39,743</b>	-
<b>Total income</b>		<b>6,070,585</b>	5,248,646
<b><u>EXPENSES</u></b>			
Properties management expenses		<b>(235,953)</b>	(209,530)
Fund management fees	14	<b>(758,203)</b>	(757,052)
Reversal of impairment in investment	12	<b>2,605,744</b>	1,878,703
Depreciation of investment properties	12	<b>(926,353)</b>	(926,353)
Other expenses	17	<b>(1,010,585)</b>	(893,007)
Custodian fees		<b>(50,139)</b>	(50,000)
<b>Total Expenses</b>		<b>(375,489)</b>	(957,239)
<b>Net income for the year</b>		<b>5,695,096</b>	4,291,407
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>5,695,096</b>	4,291,407

The accompanying notes 1 to 26 form an integral part of these financial statements.

**AL-JAZIRA REIT FUND**

A Real Estate Investment Traded

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS****For the year ended 31 December 2022**

(Amounts in SAR)

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	<u>Note</u>	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
<b>Net assets value attributable to the unitholders at the beginning of the year</b>		<b>82,534,130</b>	82,231,123
<b>Total comprehensive income for the year</b>		<b>5,695,096</b>	4,291,407
<b>Dividends during the year</b>	20	<b>(3,450,000)</b>	(3,988,400)
<b>Net assets value attributable to the unitholders at the end of the year</b>		<b><u>84,779,226</u></b>	<b><u>82,534,130</u></b>

The accompanying notes 1 to 26 form an integral part of these financial statements

**AL-JAZIRA REIT FUND**  
A Real Estate Investment Traded  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2022**  
(Amounts in SAR)

	<u>Notes</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>OPERATING ACTIVITIES</b>			
Net income for the year		<b>5,695,096</b>	4,291,407
<i>Adjustments to</i>			
Realized gain from investments carried at FVTPL	13	<b>(6,108)</b>	(10,394)
Investment properties depreciation	12	<b>926,353</b>	926,353
Reverse impairment in investment properties	12	<b>(2,605,744)</b>	(1,878,703)
<b>Changes in operating assets and liabilities:</b>			
Rent Receivable		<b>287,661</b>	(287,661)
Accrued Lease Income		<b>(125,935)</b>	-
Prepayments and other assets		<b>(152,863)</b>	329,308
Fund management fees		<b>(195,529)</b>	173,395
Unearned rental income		<b>18,678</b>	21,785
Accrued custodian fees		<b>(74,861)</b>	50,000
Accrued expenses and other liabilities		<b>(85,641)</b>	240,109
<b>Net cash generated from operating activities</b>		<b>3,681,107</b>	3,855,599
<b>INVESTING ACTIVITIES</b>			
Proceeds from selling investments at FVTPL	10	<b>4,906,108</b>	1,587,005
Payments to purchase investments at FVTPL	10	<b>(4,900,000)</b>	(1,100,000)
<b>Net cash generated from investing activities</b>		<b>6,108</b>	487,005
<b>FINANCING ACTIVITIES</b>			
Dividends	20	<b>(3,450,000)</b>	(3,988,400)
<b>Net cash used in financing activities</b>		<b>(3,450,000)</b>	(3,988,400)
<b>Net change in cash in bank balances during the year</b>			
		<b>237,215</b>	354,204
Cash and cash equivalents at the beginning of the year		<b>585,480</b>	231,276
<b>Cash in bank balances at the end of the year</b>	8	<b>822,695</b>	585,480

The accompanying notes 1 to 26 form an integral part of these financial statement

## **AL-JAZIRA REIT FUND**

A Real Estate Investment Traded

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

(Amounts in SAR)

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#### **1) THE FUND AND ITS ACTIVITIES**

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

Al-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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

##### ***3.2 Basis of measurement***

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting and the going concern concept except for financial assets measured at fair value through profit or loss.

##### ***3.3 Functional and presentation currency***

These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR, unless otherwise stated.

##### ***3.4 Comparative information***

The Fund has presented the comparative information for the year ended 31 December 2021.

#### **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 are 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-month 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 assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are 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.

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

**4.2 Assumptions and Estimation Uncertainties (Continued)**

**4.2.2 Impairment of financial assets held at amortised 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-month 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 is disclosed in note 9 and 19.1 in these financial statements.

**AL-JAZIRA REIT FUND**

A Real Estate Investment Traded

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2022**

(Amounts in SAR)

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*****Cash and cash equivalents***

Cash and cash equivalents consist of cash in current accounts with a local bank. Cash and cash equivalents are measured at amortized cost in the statement of assets and liabilities.

***Rent receivable***

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

***Investment properties***

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any. The cost is amortized minus the residual value of the real estate investment over the 30-year useful life or the term of the fund, whichever is lower.

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

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

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

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the assets or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

***Impairment of non-current assets***

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount 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 property 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.

***Accrued expenses and other liabilities***

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method. A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

***Revenue recognition***

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

- Step 1. Identify the contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

***Rental income***

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

***Management fee***

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.9 percent per annum of the Fund's total assets value based on the last evaluation net of Fund expenses and is paid on quarterly basis.

***Custodian fee***

The fund pays the custodian an annual fee of a maximum of 0.1 percent per annum of the net fair value of the assets of the fund, which is accrued on a daily basis and paid quarterly to the Custodian of the Fund.

***Board of directors' fee***

The Board of Directors shall be entitled to a minimum of two annual meeting fees for each annual meeting, which are due on a monthly basis and paid annually to the Fund Board.

***Other expenses***

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred on an accrual basis.



**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

***Zakat***

Zakat is an obligation on Unitholders and, accordingly, no provision for this obligation is included in these financial statements.

***Distribution***

Dividends distribution to the Fund's unitholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved.

The Fund has a policy of distributing dividends on annually basis for at least 90% of its net profit at a minimum during the third quarter of each year, not including profit resulting from the sale of the underlying real estate assets.

***Equity per unit***

The net asset value of each unit is calculated by dividing the property rights of the owners of the units listed in the balance sheet by the number of units outstanding at the end of the year.

***Units in issue***

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

Units are classified as equity as it meets all of the following conditions:

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

***Financial instruments***

***Recognition and initial measurement***

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

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

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

*Financial instruments(continued)*

*Recognition and initial measurement(continued)*

*Financial assets*

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

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

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

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

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognized in the statement of profit or loss.

	Measurement Category	IFRS 9	
		Carrying amount	Carrying amount
		2022	2021
<b>Financial assets</b>			
Cash at banks	Amortized cost	<b>822,695</b>	585,480
Rent receivable, net	Amortized cost	-	287,661

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

*Financial instruments(continued)*

*Subsequent measurement*

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

*Reclassifications*

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

*Derecognition*

A financial asset is derecognized when:

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

(a) the Fund has transferred substantially all the risks and rewards of the asset, or

(b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

**Impairment of financial assets**

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

**Expected credit loss assessment:**

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against:

- financial assets measured at amortized cost

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

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

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

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

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

*Financial instruments(continued)*

**Expected credit loss assessment(continued):**

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

***Model and Framework***

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

**Macroeconomic weighted average scenarios**

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

After the inputs to the model are adjusted for the above-mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

***Portfolio segmentation***

The fund assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

***Definition of default***

In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realizing security (if any is held); or
- the customer is more than 360 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the statement of profit or loss. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Fund. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the statement of profit or loss.

***Specific provision***

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

**5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

*Financial instruments(continued)*

*Write-off*

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

*Financial liabilities*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables and related party.

After initial recognition, the financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Measurement Category	IFRS 9	
	Carrying amount 2022	Carrying amount 2021
<b>Financial liabilities</b>		
Accrued fund management fees	Amortized cost	190,655
Accrued custodian fees	Amortized cost	50,695
		386,184
		125,556

*Modifications of financial assets and financial liabilities*

*Financial assets*

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

*Financial liability*

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

*Offsetting of financial instruments*

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

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Fund's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

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**6) NEW STANDARDS, THEIR INTERPRETATIONS AND AMENDMENTS**

*New standards, amendments and interpretations issued and effective from 1 January 2022*

The accounting policies adopted, and method of computation followed are consistent with those of previous financial year except for the items disclosed below:

<b>Description</b>	<b>Effective Date</b>
<i>Property, Plant and Equipment, proceeds before intended use (Amendments to IAS 16)</i>	1 January 2022
<i>Onerous Contracts — Cost of fulfilling a Contract (Amendments to IAS 37)</i>	1 January 2022
<i>Reference to the conceptual framework (Amendments to IFRS 3)</i>	1 January 2022
<i>Annual improvements to IFRS 9, IFRS 16, IFRS 1, and IAS 41</i>	1 January 2022

These amendments had no material impact on the financial statements of the Fund.

*New standards, amendments and interpretations effective 1 January 2023 and have not early adopted*

The following standards, amendments to standards and interpretations are not yet effective and neither expected to have a significant impact on the Fund's financial statements:

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.

<b>Standards / amendments to standards / interpretations</b>	<b>Effective Date</b>
<i>Amendments to IAS 1: Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Definitions of accounting estimates (IAS 8)</i>	1 January 2023
<i>IFRS 17 — Insurance Contracts</i>	1 January 2023
<i>Amendments to IFRS 17</i>	1 January 2023
<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
<i>Classification of Liabilities as Current or Non-current – Deferral of Effective Date (Amendments to IAS 1)</i>	1 January 2023
<i>Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	1 January 2023
<i>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023

**7) 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 rental 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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**8) CASH AT BANKS**

		<u>31 December 2022</u>	<u>31 December 2021</u>
Bank balances	14	822,695	585,480
		<u>822,695</u>	<u>585,480</u>

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

**9) RENT RECEIVABLE, NET**

	<u>note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Lease receivable		5,226,792	5,514,453
Provision for expected credit losses	9-1	(5,226,792)	(5,226,792)
		<u>-</u>	<u>287,661</u>

9-1 The movement for expected credit losses during the year is as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance at the beginning of the year	(5,226,792)	(5,226,792)
Reversal during the year	-	-
Balance at the end of the year	<u>(5,226,792)</u>	<u>(5,226,792)</u>

**Overdue and impaired value**

Year	Total	From 1 to 90 days	From 91 to 180 days	From 181 to 270 days	From 271 to 365 days	More than 365 Days
<b>31 December 2022</b>						
<b>Total</b>	5,226,792	-	-	-	-	5,226,792
<b>Expected credit losses</b>	5,226,792	-	-	-	-	5,226,792
<b>Coverage rate</b>	100%	-	-	-	-	100%
<b>31 December 2021</b>						
Total	5,514,453	287,661	-	-	-	5,226,792
Expected credit losses	5,226,792	-	-	-	-	5,226,792
Coverage rate	94.78%	-	-	-	-	100%

**10) INVESTMENTS AS FVTPL**

Following is the movement during the year for Investments classified as FVTPL:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance beginning of the year	-	476,611
Purchase during the year	4,900,000	1,100,000
Disposal during the year	(4,906,108)	(1,587,005)
Realized gain	(6,108)	(10,394)
<b>Balance at the end of the year</b>	<u>-</u>	<u>-</u>

10.1 This represents investments in equity instruments of "Saudi Riyal Murabaha Fund" inside the Kingdom of Saudi Arabia

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11) **PREPAYMENT AND OTHER ASSETS**

	<u>31 December 2022</u>	31 December 2021
Real estate management fees	69,878	40,137
Reclaim VAT	123,122	-
<b>Balance at the end of the year</b>	<b>193,000</b>	<b>40,137</b>

12) **INVESTMENTS PROPERTIES, NET**

As at 31 December 2022

	<u>Land</u>	<u>Building</u>	<u>31 December 2022</u>
<b><u>Cost</u></b>			
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
<b><u>Accumulated Depreciation</u></b>			
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)
<b><u>Impairment in value</u></b>			
Balance beginning of the year	(27,334,905)	(2,033,914)	(29,368,819)
Reverse in value (12-4)	1,682,925	922,819	2,605,744
Balance end of the year	(25,651,980)	(1,111,095)	(26,763,075)
<b><u>Book Value:</u></b>			
<b>Balance as at 31 December 2022</b>	<b>64,557,421</b>	<b>21,432,483</b>	<b>85,989,904</b>

As at 31 December 2021

	<u>Land</u>	<u>Building</u>	<u>31 December 2021</u>
<b><u>Cost</u></b>			
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
<b><u>Accumulated Depreciation</u></b>			
Balance beginning of the year	-	(3,394,315)	(3,394,315)
Depreciation charge during the year	-	(926,353)	(926,353)
Balance end of the year	-	(4,320,668)	(4,320,668)
<b><u>Impairment in value</u></b>			
Balance beginning of the year	(30,444,364)	(803,158)	(31,247,522)
Reverse in value (12-4)	3,109,459	(1,230,756)	1,878,703
Balance end of the year	(27,334,905)	(2,033,914)	(29,368,819)
<b><u>Book Value:</u></b>			
<b>Balance as at 31 December 2021</b>	<b>62,874,496</b>	<b>21,436,017</b>	<b>84,310,513</b>



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**12) INVESTMENTS PROPERTIES, NET(CONTINUED)**

12-1 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.

12-2 All real estate is registered in the name of Alinma Investment ("the Custodian"). The custodian 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.

12-3 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.

12-4 The impairment of the assets is as follows:

	31 December 2021			31 December 2022		
	Lands	Buildings	Total	Lands	Buildings	Total
Balance beginning of the year	30,444,364	803,158	31,247,522	27,334,905	2,033,914	29,368,819
Charged during the year	-	1,230,756	1,230,756	-	-	-
Reversal during the year	(3,109,459)	-	(3,109,459)	(1,682,925)	(922,819)	(2,605,744)
Balance end of the year	27,334,905	2,033,914	29,368,819	25,651,980	1,111,095	26,763,075

**13) REALIZED GAIN FROM INVESTMENTS AT FVTPL**

	For the year ended 31 December 2022	For the year ended 31 December 2021
Realized gain from selling investments at FVTPL	6,108	10,394
	6,108	10,394

**14) BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Related parties to the fund include Al-Jazira Capital "Fund Manager", "Al-Jazira Bank" (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 year and the balances resulting from such transactions are as follows:

Related Party	Nature of transactions	Amount of transactions		Balance receivable \ (payable)	
		2022	2021	31 December 2022	31 December 2021
Al-Jazira Capital	Fund management fee	(758,203)	(757,052)	(190,655)	(386,184)
Bank Al Jazira	Current account	-	-	822,695	585,480
Saudi Riyal Murabaha	Realized gain as FVTPL	(6,108)	(10,394)	-	-
BOD members	Attendance allowance*	(22,061)	(22,000)	(88,061)	(66,000)

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

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**15) UNEARNED RENTAL INCOME**

	<u>31 December 2022</u>	<u>31 December 2021</u>
Balance beginning of the year	1,728,283	1,706,498
Rental income received during the year	6,043,412	5,260,037
Rental income earned during the year	(6,024,734)	(5,238,252)
Balance at the end of the year	<u>1,746,961</u>	<u>1,728,283</u>

**16) 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 December 31:

<u>As at 31 December 2022</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
<b>Investment properties</b>	<b>83,889,379</b>	<b>88,090,429</b>	<b>85,989,904</b>
<b>Total</b>	<b>83,889,379</b>	<b>88,090,429</b>	<b>85,989,904</b>
<u>As at 31 December 2021</u>	<u>Barcode</u>	<u>Amam</u>	<u>Average</u>
Investment properties	83,792,195	84,828,830	84,310,513
Total	<u>83,792,195</u>	<u>84,828,830</u>	<u>84,310,513</u>

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>31 December 2022</u>	<u>31 December 2021</u>
Estimated fair value of investment properties	85,989,904	84,310,513
Less: Book Value of investment properties	(85,989,904)	(84,310,513)
Estimated fair value excess of book value	-	-
Units in issue (numbers)	<u>11,800,000</u>	<u>11,800,000</u>
Value per unit relating to excess of estimated fair value over book value of investment properties	-	-
 <b>Net assets attributable to unitholders:</b>		
	<u>31 December 2022</u>	<u>31 December 2021</u>
Net assets value as per the financial statements	85,989,904	84,310,513
Estimated fair value excess of book value of investment properties	-	-
Net assets value based on fair valuation of investment properties	<u>85,989,904</u>	<u>82,310,513</u>

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

*Net assets attributable to each unit:*

	<u>31 December 2022</u>	<u>31 December 2021</u>
Net assets value per unit based as per the financial statements	7.18	6.99
Estimated fair value excess of book value of investment properties	-	-
Net assets value per unit based on fair valuation of investment properties	<u>7.18</u>	<u>6.99</u>

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

**17) OTHER EXPENSES**

	<u>Note</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Maintenance of property		603,460	-
Basic Registration fee		220,000	220,000
Tadawul fees		93,469	82,657
Professional fees		35,095	35,000
BOD fees	14	22,061	22,000
CMA fees		7,500	7,500
Other		29,000	525,850
		<u>1,010,585</u>	<u>893,007</u>

**18) 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 year end:

<i>Accounting classification and carrying amount</i>		<i>Fair Value</i>			
<u>31 December 2022</u>	<u>Carried Cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
		<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Investment properties	85,989,904	-	-	85,989,904	85,989,904
<u>31 December 2021</u>	<u>Carried Cost</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
		<u>SR</u>	<u>SR</u>	<u>SR</u>	<u>SR</u>
Investment properties	84,310,513	-	-	84,310,513	84,310,513

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Changes in assumptions about these inputs 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.

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**18) FAIR VALUE MEASUREMENTS(CONTINUED)**

There were no transfers between various levels of fair value hierarchy during the current year 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 year.

**19) 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 and cash equivalents, 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.

***19.1 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 risk on the following:

	<i><b>31 December 2022</b></i>	<i><b>31 December 2021</b></i>
Cash and cash equivalents	<b>822,695</b>	585,480
Rental receivables – Net (note 9)	-	287,661
Accrued Lease Income	<b>125,935</b>	-

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

	<i><b>31 December 2022</b></i>	<i><b>31 December 2021</b></i>
	<i><b>Expected credit loss</b></i>	<i><b>Expected credit loss</b></i>
Less than 30 days	-	-
Between 31 to 180 days	-	287,661
More than 180 days	<b>5,226,792</b>	5,226,792
	<b>5,226,792</b>	<b>5,514,453</b>

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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**19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)**

**19.1 Credit risk(continued)**

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

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

  

<i>31 December 2021</i>	<i>Weighted average loss rate (%)</i>	<i>Exposure at Default (SR)</i>	<i>Loss allowance (SR)</i>	<i>Credit impaired</i>
0-30 days	-	-	-	-
30-180 days	-	287,661	-	No
More than 180 days	-	5,226,792	5,226,792	Yes
<b>Total</b>	<b>-</b>	<b>5,514,453</b>	<b>5,226,792</b>	<b>-</b>

**19.2 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:

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

  

<i>31 December 2021</i>	<i>Less than 1 year SR</i>	<i>More than 1 year SR</i>	<i>Total SR</i>
Accrued fund management fees	386,184	-	386,184
Unearned rental income	1,728,283	-	1,728,283
Accrued custodian fees	125,556	-	125,556
Accrued expenses	449,638	-	449,638
<b>TOTAL LIABILITIES</b>	<b>2,689,661</b>	<b>-</b>	<b>2,689,661</b>

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**19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)*****19.3 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.

***19.4 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.

**20) DISTRIBUTIONS**

On 13 December 2022 the Fund Board of Directors approved the distribution of profits for the full year period (the second half of 2021 and the first half of 2022) at an amount of 0.292 Saudi riyals for each unit, totaling 3,450,000 Saudi riyals for unit owners. It was paid on 25 October 2022.

On 30 December 2021 the Fund Board of Directors approved the distribution of profits for the full year period (the second half of 2020 and the first half of 2021) at an amount of 0.338 Saudi riyals for each unit, totaling 3,988,400 Saudi riyals for unit owners. It was paid on 17 December 2021.

**21) CONTINGENCIES**

There are no contingencies as at the reporting date.

**22) SUBSEQUENT EVENTS**

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

**23) 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.

**24) RECLASSIFICATIONS OF COMPARATIVE FIGURES**

During the year, the Fund has made certain reclassifications in the comparative financial statements to conform to current period presentation.

**25) LAST VALUATION DAY**

The last valuation day of the year was 31 December 2022 (31 December 2021).

**26) APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Fund's Board of Directors on 5 Ramadan 1444H corresponding to 27 March 2023G.