

AL RAJHI REIT FUND
(Managed by Al Rajhi Capital)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2024

INDEX	PAGE
Independent auditor's review report on the interim financial statements	1
Interim condensed statement of financial position	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 - 15

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

TO THE UNITHOLDERS OF
AL RAJHI REIT FUND

(1 /1)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Al Rajhi REIT Fund (the "Fund") managed by Al Rajhi Capital (the "Fund Manager") as at 30 June 2024 and the related interim statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

For PKF Al-Bassam.



Ahmed A. Mohandis

Certified Public Accountant

License No. 477

Riyadh: 4 Safar 1446H

Corresponding to: 8 August 2024

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2024

	<i>Notes</i>	30 June 2024 (Unaudited) SR	31 December 2023 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	23,250,439	125,000
Investment held at fair value through profit or loss (FVTPL)	6	64,294,802	58,714,363
Rental income receivable, net		33,587,909	43,629,996
Contract assets		24,347,775	19,744,576
Prepayment and other assets		1,254,643	1,501,178
TOTAL CURRENT ASSETS		146,735,568	123,715,113
NON-CURRENT ASSETS			
Investment properties	7	3,008,351,978	3,011,947,013
Derivative instruments at fair value through profit or loss (FVTPL)	8	436,450	401,909
TOTAL NON-CURRENT ASSETS		3,008,788,428	3,012,348,922
TOTAL ASSETS		3,155,523,996	3,136,064,035
LIABILITIES			
CURRENT LIABILITIES			
Unearned rental income		15,643,960	9,788,711
Accrued expenses and other liabilities		11,562,659	6,538,578
Accrued special commission	10	7,898,510	7,459,510
Accrued management fee	10	14,493,512	2,138,108
TOTAL CURRENT LIABILITIES		49,598,641	25,924,907
NON-CURRENT LIABILITIES			
Murabaha facilities	10	896,399,599	896,399,599
TOTAL NON-CURRENT LIABILITIES		896,399,599	896,399,599
TOTAL LIABILITIES		945,998,240	922,324,506
EQUITY			
Net assets attributable to unitholders		2,209,525,756	2,213,739,529
TOTAL LIABILITIES AND EQUITY		3,155,523,996	3,136,064,035
Units in issue (number)		275,607,498	275,607,498
Per unit value (SR)		8.02	8.03
Per unit fair value (SR)	9.4	8.46	8.42

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2024

	<i>Notes</i>	<i>For six-month period ended 30 June 2024 SR</i>	<i>For six-month period ended 30 June 2023 SR</i>
INCOME			
Rental income from investment properties		116,833,860	79,106,069
Realised gain from investment at FVTPL		498,064	1,172,560
Unrealised gain / (loss) from investment measured at FVTPL	6	909,248	(89,112)
Net gain on derivative instruments at fair value through profit or loss		792,307	761,165
Murabaha income	5	-	3,943,362
Other income		-	44,210
		<hr/>	<hr/>
TOTAL INCOME		119,033,479	84,938,254
EXPENSES			
Investment properties depreciation	7	(23,895,737)	(15,297,070)
Finance cost expense	10	(27,594,867)	(25,017,199)
Management fees	10	(12,355,403)	(8,281,269)
Property management expenses		(2,815,501)	(2,392,069)
Reversal of / (impairment loss) of expected credit loss		1,536,938	(9,556,097)
Other expenses		(2,001,422)	(1,258,862)
		<hr/>	<hr/>
TOTAL EXPENSES		(67,125,992)	(61,802,566)
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT			
		<hr/>	<hr/>
		51,907,487	23,135,688
Reversal of / (impairment loss) on investment properties	7	19,670,802	(19,127,891)
PROFIT FOR THE PERIOD AFTER IMPAIRMENT			
		<hr/>	<hr/>
		71,578,289	4,007,797
Other comprehensive income for the period		-	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		71,578,289	4,007,797
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The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2024

	<i>Notes</i>	<i>For six-month period ended 30 June 2024 SR</i>	<i>For six-month period ended 30 June 2023 SR</i>
Net asset value attributable to the unitholders at the beginning of the period		2,213,739,529	1,260,541,568
Total comprehensive income for the period		71,578,289	4,007,797
Dividends paid during the period	13	(75,792,062)	(77,691,291)
Net asset value attributable to the unitholders at the end of the period		2,209,525,756	1,186,858,074

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2024

	<i>Notes</i>	<i>For six-month period ended 30 June 2024 SR</i>	<i>For six-month period ended 30 June 2023 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		71,578,289	4,007,797
<i>Adjustment to reconcile net profit/(loss) to net cash from operating activities:</i>			
(Reversal of) / impairment loss on investment properties	7	(19,670,802)	19,127,891
Depreciation expenses on investment properties	7	23,895,737	15,297,070
(Reversal of) / impairment loss of expected credit loss		(1,536,938)	9,556,097
Finance costs	10	27,594,867	25,017,199
Unrealised (gain) / loss from investment measured at FVTPL	6	(909,248)	89,112
Net gain on derivative instruments at fair value through profit or loss		(792,307)	(761,165)
		100,159,598	72,334,001
<i>Working capital adjustments:</i>			
Rental income receivables, net		9,396,593	(35,931,038)
Contract assets		(4,603,199)	(3,126,496)
Prepayment and other assets		246,535	(369,804)
Unearned rental income		5,855,249	(4,464,822)
Accrued expenses and other liabilities		(207,936,176)	(152,509,851)
Accrued management fee		12,355,404	8,281,269
Accrued special commission		439,000	-
Finance costs paid		185,365,390	131,244,444
Net cash flows from operating activities		101,278,394	15,457,703
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	7	(629,900)	(215,100)
Purchase of investment held at FVTPL	6	(103,990,323)	(35,983,000)
Disposal of investment held at FVTPL	6	99,319,132	90,832,439
Derivative instrument held at FVTPL		757,766	-
Net cash flows (used in) / from investing activities		(4,543,325)	54,634,339
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	13	(73,609,630)	(68,977,808)
Subscription amount received in advance	1	-	1,011,245,493
Net cash flows (used in) / from financing activities		(73,609,630)	942,267,685
Net increase in cash and cash equivalents		23,125,439	1,012,359,727
Cash and cash equivalents at the beginning of the period		125,000	125,000
Cash and cash equivalents at the end of the period		23,250,439	1,012,484,727
<u>NON-CASH TRANSACTIONS</u>			
Dividends netted off against rental income receivable	13	2,182,432	8,713,483

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

AL RAJHI REIT FUND

(Managed by Al Rajhi Capital)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

1 CORPORATE INFORMATION

Al Rajhi REIT Fund (the “Fund” or “REIT”) is a closed-ended shariah compliant real estate investment traded fund established on 3 Rajab 1439H (corresponding to 20 March 2018). The Fund is listed on Saudi Stock Exchange (“Tadawul”) and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations on 3 Rajab 1439H (corresponding to 20 March 2018). The initial subscribed units of the Fund were 122,200,609 units at par value of SR 10 per unit resulting in capital of SR 1,222,006,090. However, during the year 2019, as a part of increasing its total assets, the Fund issued 39,656,248 new units of par value SR 10 per unit at an issue price of SR 8.8 per unit. During the year 2023, the Fund issued second additional offering units for acquiring the additional real estate assets 113,750,641 new units of par value SR 10 per unit at an issue price of SR 8.90 per unit. Thus, currently the total subscribed units of the Fund stand at 275,607,498 units. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of Fund Board and followed by Capital Market Authority “CMA”.

The Fund is managed by Al Rajhi Capital (the "Fund Manager"), a Saudi closed joint stock company with commercial registration no.1010241681, and a capital market institution licensed by the CMA under license no. 07068-37 dated 25 June 2007. The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia. The Fund’s Manager’s registered office is King Fahd Branch Road, Al Muruj District, Riyadh 12214, Kingdom of Saudi Arabia.

The Fund currently has a diversified portfolio of 21 properties (31 December 2023: 21 properties) across various sectors such as retail, education, commercial offices, logistics and healthcare.

All properties of Al Rajhi REIT Fund are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the “SPVs”). The SPVs are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

The Fund has appointed KASB Capital (the “Custodian”) to act as its custodian. The fee of the custodian are paid by the Fund.

During the year 2024, the Fund updated its term and conditions with effective date on 7 Ramadan 1445H (corresponding to 17 March 2024).

2 REGULATING AUTHORITY

The Fund operates in accordance with Real Estate Investment Fund Regulations (“REIFR”) issued by the CMA. The regulations detail requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 *Statement of compliance*

These condensed interim financial statements have been prepared on a going concern basis and in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Fund's last annual financial statements for the year ended 31 December 2023.

These condensed interim financial statements do not include all of the information normally required for a complete set of financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since 31 December 2023.

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

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

3 BASIS OF PREPARATION (CONTINUED)

3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment held at fair value through profit or loss.

3.3 Used of judgements, estimates and assumptions

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3.4 Functional and presentation currency

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

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2024 and has been explained in annual financial statements, but they do not have a material effect on the Fund's condensed interim financial statements.

4.1 New standards, amendments and interpretations issued and effective from 1 January 2024

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

<u>Description</u>	<u>Effective Date</u>
<i>Amendment to IFRS 16 – Leases on sale and leaseback</i>	1 January 2024
<i>Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements</i>	1 January 2024
<i>Amendment to IAS 1 – Noncurrent liabilities with covenants</i>	1 January 2024
<i>IFRS S1, 'General requirements for disclosure of sustainability-related financial information'</i>	1 January 2024 subject to endorsement from SOCPA
<i>IFRS S2, 'Climate-related disclosures'</i>	1 January 2024 subject to endorsement from SOCPA

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

4.2 New standards, amendments and interpretations effective 1 January 2024 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.

<u>Description</u>	<u>Effective Date</u>
<i>Amendment to IAS 27 - Lack of Exchangeability</i>	1 January 2025
<i>IFRS 18 Presentation and Disclosures in Financial Statements</i>	1 January 2027
<i>IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
<i>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures</i>	Effective date not yet decided

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

5 CASH AND CASH EQUIVALENTS

	<i>30 June 2024</i> <i>(Unaudited)</i> SR	<i>31 December 2023</i> <i>(Audited)</i> SR
Cash at bank	23,250,439	125,000
Cash and cash equivalents for the period/year	23,250,439	125,000

6 INVESTMENT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Investment held at fair value through profit or loss represents investment in a mutual fund managed by the Fund Manager (a related party) and comprises of the following:

<i>30 June 2024 (Unaudited)</i>	<i>Fund Manager</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market value</i>
AL Rajhi Saving and Liquidity Fund SAR	Al Rajhi Capital	355,218	60,396,048	64,294,802
		=====	=====	=====
<i>31 December 2023 (Audited)</i>	<i>Fund Manager</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market value</i>
AL Rajhi Saving and Liquidity Fund SAR*	Al Rajhi Capital	178,397	57,024,982	58,714,363
		=====	=====	=====

* On 6 June 2023, the fund manager announced an update of the terms and conditions and change the name of the Fund from Al Rajhi Commodity Fund – SAR to Al Rajhi Saving and Liquidity Fund SAR.

The following is the movement held in investment carried at FVTPL:

	<i>30 June 2024</i> <i>(Unaudited)</i>	<i>31 December 2023</i> <i>(Audited)</i>
At the beginning of the period/year	58,714,363	86,337,881
Purchase during the period/year	103,990,323	160,354,893
Disposal during the period/year	(99,817,196)	(190,400,541)
Realised gain on investment carried at FVTPL	498,064	1,982,183
Unrealised gain on investment carried at FVTPL	909,248	439,947
At the end of the period/year	64,294,802	58,714,363

All investments measured at fair value through profit or loss are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPV's"). The SPV's are holding these investments for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the investments.

AI RAJHI REIT FUND
(Managed by AI Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

7 INVESTMENT PROPERTIES

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

As at 30 June 2024 (Unaudited)

	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost:			
At the beginning of the period	1,744,103,939	1,693,489,347	3,437,593,286
Additions during the period	-	629,900	629,900
At the end of the period	<u>1,744,103,939</u>	<u>1,694,119,247</u>	<u>3,438,223,186</u>
Accumulated Depreciation:			
At the beginning of the period	-	(157,694,383)	(157,694,383)
Charge for the period	-	(23,895,737)	(23,895,737)
At the end of the period	<u>-</u>	<u>(181,590,120)</u>	<u>(181,590,120)</u>
Accumulated Impairment:			
At the beginning of the period	(177,106,919)	(90,844,971)	(267,951,890)
Reversal for the period	-	19,670,802	19,670,802
At the end of the period	<u>(177,106,919)</u>	<u>(71,174,169)</u>	<u>(248,281,088)</u>
Book Value as of 30 June 2024	<u><u>1,566,997,020</u></u>	<u><u>1,441,354,958</u></u>	<u><u>3,008,351,978</u></u>

As at 31 December 2023 (Audited)

	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost:			
At the beginning of the year	1,343,700,218	1,091,169,531	2,434,869,749
Additions during the year	400,403,721	602,319,816	1,002,723,537
At the end of the year	<u>1,744,103,939</u>	<u>1,693,489,347</u>	<u>3,437,593,286</u>
Accumulated Depreciation:			
At the beginning of the year	-	(119,426,916)	(119,426,916)
Charge for the year	-	(38,267,467)	(38,267,467)
At the end of the year	<u>-</u>	<u>(157,694,383)</u>	<u>(157,694,383)</u>
Accumulated Impairment:			
At the beginning of the year	(177,106,919)	(85,157,084)	(262,264,003)
Charge during the year	-	(5,687,887)	(5,687,887)
At the end of the year	<u>(177,106,919)</u>	<u>(90,844,971)</u>	<u>(267,951,890)</u>
Book Value as of 31 December 2023	<u><u>1,566,997,020</u></u>	<u><u>1,444,949,993</u></u>	<u><u>3,011,947,013</u></u>

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

7 INVESTMENT PROPERTIES (CONTINUED)

7.1 - The Fund has the policy of charging depreciation on building over 33 years. The depreciation is charged on depreciable amount i.e., cost less residual value.

7.2 - All properties are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPVs"). The SPVs are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

7.3 - The investment properties were tested for impairment and the Fund manager noted that certain properties carrying amount are less than its recoverable amount. based on the average fair value as at the reporting date determined by the independent valuers. Accordingly, the Fund manager reversed the impairment loss recognised of SR 19,670,802 for the period ended 30 June 2024 (30 June 2023: The Fund Manager note that some of the properties carrying amount are more than its recoverable amount, based on the average fair value as at the reporting date determined by the independent valuers. Accordingly, the Fund manager provided provision for impairment of SR 19,127,891) to adjust the value of its investment properties to its recoverable amount.

7.4 - The net rental income from investment properties amounted to SR 116,833,860 during the period ended 30 June 2024 (30 June 2023: SR 79,106,069). In 2023, the Fund has incurred some cost against repairs of Al Andalus property which has been recovered from the tenant amounting to SR 44,210 which has been recorded as other income.

7.5 - The investment properties represent Twenty-one (2023: Twenty-one) properties. Listed below are the details of these investment properties:

Properties	Type of agreement
1- Riyadh Avenue, Riyadh	Triple net lease - retail sector
2- AlHenaki Business Center, Jeddah	Triple net lease - commercial sector
3- Rowad Al Khaleej International School, Dammam	Triple net lease - education sector
4- Lulu Hypermarket, Riyadh	Triple net lease - retail sector
5- Rowad Al Khaleej International School, Riyadh	Triple net lease - education sector
6- Panda Marwah Jeddah	Triple net lease - retail sector
7- Blue Tower, Khobar	Triple net lease - retail sector
8- Al Salam Hospital, Riyadh	Triple net lease - healthcare sector
9- Faris International School, Riyadh	Triple net lease - education sector
10- Lulu'ah warehouse, Riyadh	Triple net lease - logistics sector
11- Oasis Mall, AlKharj	Triple net lease - commercial sector
12- Al Andalus, Jeddah	Multi-tenanted - commercial sector
13- Al Ahsa Square, Riyadh	Multi-tenanted - retail sector
14- Al Narjes Plaza, Riyadh	Triple net lease - retail sector
15- LULU Logistics Warehouse, Riyadh	Triple net lease - logistics sector
16- Panda, Khamis Mushait	Triple net lease - retail sector
17- Rama Plaza, Riyadh	Multi-tenanted - retail sector
18- Panda Madain Fahad, Jeddah	Triple net lease - retail sector
19- Panda Rowdah, Jeddah	Triple net lease - retail sector
20- Baraem Rowad Al Khaleej Intl Kindergarten, Riyadh	Triple net lease - education sector
21- Al Anwar Plaza, Riyadh	Multi-tenanted - retail sector

8 DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Fund uses derivative financial instruments, such as profit rate swaps, to hedge its profit rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The resulting gain/loss is recognized in the statement of comprehensive income.

On 12 October 2022, the Fund entered into a profit rate swap contract with a nominal value of SAR 193 million in order to fix the facility profit margin. The contract is affected on 22 March 2023. The purpose of the contract is to manage the cash flow risk of the Fund.

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

9 EFFECTS ON NET ASSET VALUE IF INVESTMENT IN REAL ESTATE PROPERTIES ARE FAIR VALUED

In accordance with the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two 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 accounting policy of the Fund, investment properties are carried at cost less accumulated depreciation and impairment if any in these financial statements.

The fair value of the investment properties is determined by two selected appraisers for each of the 21 properties. The appraisers that evaluated these properties are Knight Frank Valuation Company and Barcode for Real Estate Valuation Company (2023: Knight Frank Valuation Company and Barcode for Real Estate Valuation Company). 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"). These models comprise both the income capitalisation approach, Land Value and depreciated replacement cost ("DRC").

9.1 As at 30 June 2024, the valuation of investment properties are as follows:

<i>30 June 2024 (Unaudited)</i>	<i>Appraiser 1 SR</i>	<i>Appraiser 2 SR</i>	<i>Average SR</i>
Investment properties	<u>2,944,355,000</u>	<u>3,316,453,000</u>	<u>3,130,404,000</u>
<i>31 December 2023 (Audited)</i>	<i>Appraiser 1 SR</i>	<i>Appraiser 2 SR</i>	<i>Average SR</i>
Investment properties	<u>2,904,000,000</u>	<u>3,334,080,000</u>	<u>3,119,040,000</u>

The Fund Manager 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 number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial and fragmentation plot analysis, the income method, and value in use method. The fair value versus cost analysis of the investment properties is presented in note 9.2. The inputs used in the above level 3 fair valuation are disclosed in note 11.

9.2 The unrealised gain on investment properties based on fair value evaluation is set out below:

	<i>30 June 2024 (Unaudited) SR</i>	<i>31 December 2023 (Audited) SR</i>
Fair value of investment in real properties (note 9.1)	3,130,404,000	3,119,040,000
Less: Carrying value of investments in real estate properties (note 7)	(3,008,351,978)	(3,011,947,013)
Net impact based on fair value evaluation	<u>122,052,022</u>	<u>107,092,987</u>
Units in issue (numbers)	<u>275,607,498</u>	<u>275,607,498</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.44</u>	<u>0.39</u>

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

9 EFFECTS ON NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

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

	<i>30 June 2024</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2023</i> <i>(Audited)</i> <i>SR</i>
Net assets value at cost, as presented in these financial statements	2,209,525,756	2,213,739,529
Net impact based on real estate evaluations (note 9.2)	122,052,022	107,092,987
Net assets based on fair value	2,331,577,778	2,320,832,516

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

	<i>30 June 2024</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2023</i> <i>(Audited)</i> <i>SR</i>
Net assets value at cost, as presented in these financial statements	8.02	8.03
Impact on net asset value per unit on account of unrealized loss based on evaluations (note 9.2)	0.44	0.39
Net assets based on fair value	8.46	8.42

10 RELATED PARTY TRANSACTIONS AND BALANCE

Related parties of the Fund include the Fund Manager, Al Rajhi Bank (being the shareholder of Al Rajhi Capital), the Fund, which is managed by the Fund Board of Director, KASB Capital (being the custodian of the Fund), Al Khaleej Training and Education Company (being the major unitholder of the Fund) and any party that has the ability to control other party or exercise significant influence over the other party in making financial or operational decisions.

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

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

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

10 RELATED PARTY TRANSACTIONS AND BALANCE (CONTINUED)

Related Party	Nature of transaction	Amount of transaction		Balance receivables / (payable)	
		For the period ended 30 June 2024 (Unaudited) SR	For the period ended 30 June 2023 (Unaudited) SR	As at 30 June 2024 (Unaudited) SR	As at 31 December 2023 (Audited) SR
Al Rajhi Capital	Management fee	12,355,403	8,281,269	(14,493,512)	(2,138,108)
Al Rajhi Bank	Finance cost***	27,594,867	25,017,199	(7,898,510)	(7,459,510)
	Bank balance**	-	-	23,250,439	125,000
	Murabaha facilities-non-current***	-	-	(896,399,599)	(896,399,599)
KASB Capital	Custodian fees*	88,244	92,500	(46,250)	(50,506)
Board of Directors	Board oversight fee	30,000	30,000	(120,000)	(90,000)
Al Rajhi Saving and Liquidity Fund SAR (previously known as Al Rajhi commodity Fund)	Investment held at fair value through profit and loss	-	-	64,294,802	58,714,363
Al Khaleej Training and Education Company	Dividends netted off against rental income receivable	2,182,432	8,713,483	-	-
	Rental income	18,327,044	18,296,633	-	-

* The Fund pays a custodian fee of SR 185,000 per annum which is accrued on a daily basis and paid quarterly to the Custodian, custodian fee payable as of 30 June 2023 is SR 46,250 (31 December 2023: SR 50,506).

** The bank balance with an amount of SR 23,250,439 (31 December 2023: SR 125,000) is maintained with Al Rajhi Bank under the name of the SPVs and not under the name of the Fund.

*** The Fund inherited the loan of SR 399,906,600 from Al Rajhi Real Estate Income Fund, which was converted into REIT by way of in-kind contribution in 2018. The loan was drawn down in 2 tranches. Tranche 1 was of SR 254,500,000 and Tranche 2 of SR 145,406,600. This loan was assigned to Privileged Warehouse Company 2, an SPV acting on behalf of the Fund. The SPV of the Fund continues to service the liability of this loan. Tranche 1 of the loan is secured by pledge of Jarir Book Store Building, Al Mutlaq Building, Anwar Mall, Narjes Mall, Rama Mall. Tranche 2 of the loan is secured by pledge of Al Faris International School Building.

Tranche 1 was successfully rolled over at its maturity on 20 December 2020 for further period of 5 years at a fixed rate, having maturity date of 20 December 2025 for the bullet principal repayment.

On 23 March 2021, the Fund, had availed a SR 145.4 million Shariah-compliant facility from Al Rajhi Bank, at the term of the facility is 5 years. During the tenure of the loan, profit will be paid on a semi-annual basis with a bullet principal repayment at the end of the facility term. This facility is used to refinance the existing loan tranche that was maturing on 23 March 2021. Fund's income-generating properties are already pledged for the existing tranche, in addition to a promissory note as a guarantee. The facility has a variable profit rate of 6 months SIBOR + margin.

The finance cost is being paid over five years on a semi-annual basis on both of the above tranches.

On 30 October 2018, the Fund has obtained a Shariah facility of SR 57,007,000 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+ margin, the term of the facility was 7 years. The facility was closed and merged with another facility on 9 February 2020.

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

10 RELATED PARTY TRANSACTIONS AND BALANCE (CONTINUED)

On 19 August 2019, the Fund has obtained a Shariah facility of SR 57,551,000 from Al Rajhi Bank. The facility has a variable profit rate of 6 months SAIBOR + margin, the term of the facility is 7 years.

On 18 December 2019, the Fund has obtained a Shariah facility of SR 92,302,508 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 6M SAIBOR+ margin, the term of the facility is 7 years.

On 22 December 2019, the Fund has obtained a Shariah facility of SR 65,884,999 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 6M SAIBOR+ margin %, the term of the facility is 7 years.

On 4 February 2020, the previous facility of SR 100,000,000 and SR 18,602,000 were obtained and then substantially on 9 February 2020, the facility of SR 18,602,000 was merged with existing facility of SR 57,007,000 making the total new facility of SR 75,609,000. The facilities have a variable profit rate of 6 months SIBOR + margin %, the term of the facility was 7 years. The above drawdowns are secured by pledged of Luluah warehouse, LULU logistics warehouse, Panda Madain, Al Andalus Jeddah, Panda Khamis Mushait.

On 7 February 2022, the Fund has obtained a Shariah facility of SR 105,145,000 from Al Rajhi Bank, which was used to acquire Oasis Mall and to pay the related transaction cost. The facility has a variable profit rate of 6 months SIBOR + margin, the term of the facility is 7 years.

11 FAIR VALUE MEASUREMENT

Financial assets consist of rental income receivables and other assets. Financial liabilities consist of deferred rental income and management fee 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>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
30 June 2024				
Investment held at FVTPL (Note 6)	-	64,294,802	-	64,294,802
Investment properties (Note 9.1)	-	-	3,130,404,000	3,130,404,000
Total	-	64,294,802	3,130,404,000	3,194,698,802
31 December 2023				
Investment held at FVTPL (Note 6)	-	58,714,363	-	58,714,363
Investment properties (Note 9.1)	-	-	3,119,040,000	3,119,040,000
Total	-	58,714,363	3,119,040,000	3,177,754,363

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 all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. 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.

The fair value of derivative instruments at fair value through income statement is based on significant observable inputs and therefore classified within level 2 of the fair value hierarchy as at 30 June 2024.

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

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

12 SEGMENT REPORTING

The Fund has invested in twenty-one real estate investment properties within the Kingdom of Saudi Arabia.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker, the Fund board, which in turn considers.

The Fund Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. Asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

13 DISTRIBUTIONS

On 6 February 2023, the Fund's Board of Directors approved the distribution of cash dividends for the period 1st July 2022 to 31st December 2022, amounting to SAR 0.33 per unit totalling SAR 53,412,762.81, to the unit holders, the amount of 8,713,483 from the total distribution was settled against rent receivables due from related party (Note 10).

On 3 May 2023, the Fund's Board of Directors approved the distribution of cash dividends for the period 1st January 2023 to 31st March 2023, amounting to SAR 0.15 per unit totalling SAR 24,278,528.55, to the unit holders.

On 31 January 2024, the Fund's Board of Directors approved the distribution of cash dividends for the period 1st October 2023 to 31st December 2023, amounting to SAR 0.14 per unit totalling SAR 38,585,049.72, to the unit holders, the amount of 2,182,432 from the total distribution was settled against rent receivables due from related party (Note 10).

On 1 May 2024, the Fund's Board of Directors approved the distribution of cash dividends for the period 1st January 2024 to 31st March 2024, amounting to SAR 0.135 per unit totalling SAR 37,207,012.23, to the unit holders.

Subsequently on 31 July 2024, the Fund's Board approved to distribute a dividend for the period 1st April 2024 to 30th June 2024 amounting to SAR 0.13 per unit totalling SAR 35,828,974.74 to its unitholders.

14 LAST VALUATION DAY

The last valuation day of the period was 30 June 2024.

15 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 2 Safar 1446H (Corresponding to 6 August 2024).