

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 2023

AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

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



PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

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 2023 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 Al-Bassam & Co.

Ahmed A. Mohandis

Certified Public Accountant

License No. 477

Riyadh: 21 Muharram 1445H

Corresponding to: 8 August 2023



AI RAJHI REIT FUND
(Managed by Al Rajhi Capital)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

	<i>Notes</i>	30 June 2023 (Unaudited) SR	31 December 2022 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,012,484,727	125,000
Investment held at fair value through profit or loss (FVTPL)	6	31,399,330	86,337,881
Rental income receivable, net		42,479,159	24,817,701
Contract assets		14,709,617	11,583,121
Prepayment and other assets		12,044,583	10,539,562
TOTAL CURRENT ASSETS		1,113,117,416	133,403,265
NON-CURRENT ASSETS			
Investment properties	7	2,018,968,969	2,053,178,830
Derivative instruments at fair value through profit or loss	8	761,165	-
TOTAL NON-CURRENT ASSETS		2,019,730,134	2,053,178,830
TOTAL ASSETS		3,132,847,550	2,186,582,095
LIABILITIES			
CURRENT LIABILITIES			
Unearned rental income		10,422,942	14,887,764
Accrued expenses and other liabilities		14,231,413	10,479,621
Subscription amount received in advance	1	1,012,380,710	-
Accrued management fee	10	12,554,812	4,273,543
TOTAL CURRENT LIABILITIES		1,049,589,877	29,640,928
NON-CURRENT LIABILITIES			
Murabaha facilities	10	896,399,599	896,399,599
TOTAL NON-CURRENT LIABILITIES		896,399,599	896,399,599
TOTAL LIABILITIES		1,945,989,476	926,040,527
EQUITY			
Net assets attributable to unitholders		1,186,858,074	1,260,541,568
TOTAL LIABILITIES AND EQUITY		3,131,712,333	2,186,582,095
Units in issue (number)		161,856,857	161,856,857
Per unit value (SR)		7.33	7.79
Per unit fair value (SR)	9.4	7.75	8.33

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 2023

	<i>Notes</i>	<i>For six-month period ended 30 June 2023 SR</i>	<i>For six-month period ended 30 June 2022 SR</i>
INCOME			
Rental income from investment properties		79,106,069	79,110,418
Realised gain from investment at FVTPL		1,172,560	173,380
Unrealised (loss) / gain from investment measured at FVTPL	6	(89,112)	434,827
Net gain on derivative instruments at fair value through profit or loss		761,165	-
Murabaha income	5	3,943,362	-
Other income		44,210	-
TOTAL INCOME		84,938,254	79,718,625
EXPENSES			
Investment properties depreciation	7	(15,297,070)	(14,589,421)
Finance cost expense	10	(25,017,199)	(12,836,955)
Management fees	10	(8,281,269)	(8,275,168)
Property management expenses		(2,392,069)	(2,050,724)
(Impairment loss) / reversal of expected credit loss		(9,556,097)	11,657,696
Other expenses		(1,258,862)	(3,735,535)
TOTAL EXPENSES		(61,802,566)	(29,830,107)
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		23,135,688	49,888,518
(Impairment loss) / reversal on investment properties	7	(19,127,891)	17,399,174
PROFIT FOR THE PERIOD AFTER IMPAIRMENT		4,007,797	67,287,692
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,007,797	67,287,692

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 2023

	<i>For six-month period ended 30 June 2023 SR</i>	<i>For six-month period ended 30 June 2022 SR</i>
Net asset value attributable to the unitholders at the beginning of the period	1,260,541,568	1,245,863,350
Total comprehensive income for the period	4,007,797	67,287,692
Dividends paid during the period	(77,691,291)	(45,319,921)
Net asset value attributable to the unitholders at the end of the period	1,186,858,074	1,267,831,121

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

AI RAJHI REIT FUND
(Managed by AI Rajhi Capital)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2023

	<i>Notes</i>	<i>For six-month period ended 30 June 2023 SR</i>	<i>For six-month period ended 30 June 2022 SR</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		4,007,797	67,287,692
<i>Adjustment to reconcile net profit/(loss) to net cash from operating activities:</i>			
Impairment loss / (reversal of) on investment properties	7	19,127,891	(17,399,174)
Depreciation expenses on investment properties	7	15,297,070	14,589,421
Impairment loss / (reversal of) expected credit loss		9,556,097	(11,657,696)
Finance costs	10	25,017,199	12,836,955
Unrealised loss / (gain) from investment held at FVTPL	6	89,112	(434,827)
Net gain on derivative instruments at fair value through profit or loss		(761,165)	-
		72,334,001	65,222,371
<i>Working capital adjustments:</i>			
Rental income receivables, net		(35,931,038)	10,516,663
Contract assets		(3,126,496)	(3,212,073)
Prepayment and other assets		(369,804)	898,206
Unearned rental income		(4,464,822)	1,868,721
Accrued expenses and other liabilities		(152,509,851)	(7,091,553)
Accrued management fee		8,281,269	184,544
Finance costs paid		131,244,444	(4,970,468)
Net cash flows from operating activities		15,457,703	63,416,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	7	(215,100)	(96,255,661)
Purchase of investment measured at FVTPL	6	(35,983,000)	(96,549,501)
Proceeds from sale of investment measured at FVTPL	6	90,832,439	63,076,752
Net cash flows from / (used in) investing activities		54,634,339	(129,728,410)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	13	(68,977,808)	(37,926,662)
Subscription amount received in advance	1	1,011,245,493	-
Proceeds from Murabaha facilities	10	-	105,145,000
Net cash flows from financing activities		942,267,685	67,218,338
Net increase in cash and cash equivalents		1,012,359,727	906,339
Cash and cash equivalents at the beginning of the period		125,000	125,000
Cash and cash equivalents at the end of the period		1,012,484,727	1,031,339
NON-CASH TRANSACTIONS			
Dividends netted off against rental income receivable		8,713,483	7,393,258

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 2023

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. Thus, currently the total subscribed units of the Fund stand at 161,856,857 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.

During the period, the Fund manager have gone through the regulatory process to issue second additional offering units for acquiring the additional real estate assets. The offering, registration and listing of the Fund Units has been approved by the CMA on (11/09/1444 H) corresponding to (02/04/2023). The Fund's total value of allocated subscription through offering process has reached to SAR 1,012,380,710. the new units will be listed after completing all relevant regulatory procedures.

The Fund currently has a diversified portfolio of 19 properties (31 December 2022: 19 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.

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 2022.

These condensed interim financial statements do not include all of the information normally required for a complete set of financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since 31 December 2022.

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

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

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 2023 and has been explained in annual financial statements, but they do not have a material effect on the Fund's condensed interim financial statements.

5 CASH AND CASH EQUIVALENTS

	<i>30 June 2023</i> <i>(Unaudited)</i> SR	<i>31 December 2022</i> <i>(Audited)</i> SR
Cash at bank	104,017	125,000
Murabaha Deposit	1,012,380,710	-
Cash and cash equivalents for the period/year	1,012,484,727	125,000

As at 30 June 2023, the Fund has received the amount for issue of second additional units (refer note 1) but has not allotted the new units to its subscribers until transferring title deed of the new properties to the fund. The Fund had entered into a short term Murabaha agreement on 22 June 2023 maturing on 2 July 2023. The profit income of SAR 3,943,362 has been reported as other income in the condensed interim statement of comprehensive income.

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 2023 (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	185,061	30,239,012	31,399,330
<i>31 December 2022 (Audited)</i>	<i>Fund Manager</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market value</i>
Al Rajhi Commodity Fund SAR	Al Rajhi Capital	518,788	85,088,449	86,337,881

* On 06/06/2023 the fund manager announced an update of the terms and conditions and change the name of the fund from Al Rajhi Commodity Mudaraba Fund – SAR to Al Rajhi Saving and Liquidity Fund SAR.

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

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

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

	<i>30 June 2023</i> <i>(Unaudited)</i>	<i>31 December 2022</i> <i>(Audited)</i>
At the beginning of the period/year	86,337,881	65,885,112
Purchase during the period/year	35,983,000	163,253,300
Disposal during the period/year	(92,004,999)	(144,572,195)
Realised gain on investment carried at FVTPL	1,172,560	792,011
Unrealised (loss) / gain on investment carried at FVTPL	(89,112)	979,653
	<hr/>	<hr/>
At the end of the period/year	31,399,330	86,337,881
	<hr/> <hr/>	<hr/> <hr/>

7 INVESTMENT PROPERTIES

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

As at 30 June 2023 (Unaudited)

	<i>Land</i> <i>SR</i>	<i>Building</i> <i>SR</i>	<i>Total</i> <i>SR</i>
Cost:			
At the beginning of the period	1,343,700,218	1,091,169,531	2,434,869,749
Additions during the period	-	215,100	215,100
	<hr/>	<hr/>	<hr/>
At the end of the period	1,343,700,218	1,091,384,631	2,435,084,849
	<hr/>	<hr/>	<hr/>
Accumulated Depreciation:			
At the beginning of the period	-	(119,426,916)	(119,426,916)
Charge for the period	-	(15,297,070)	(15,297,070)
	<hr/>	<hr/>	<hr/>
At the end of the period	-	(134,723,986)	(134,723,986)
	<hr/>	<hr/>	<hr/>
Accumulated Impairment:			
At the beginning of the period	(177,106,919)	(85,157,084)	(262,264,003)
Impairment for the period	-	(19,127,891)	(19,127,891)
	<hr/>	<hr/>	<hr/>
At the end of the period	(177,106,919)	(104,284,975)	(281,391,894)
	<hr/>	<hr/>	<hr/>
Book Value as of 30 June 2023	1,166,593,299	852,375,670	2,018,968,969
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

7 INVESTMENT PROPERTIES (continued)

As at 31 December 2022 (Audited)

	<i>Land SR</i>	<i>Building SR</i>	<i>Total SR</i>
Cost:			
At the beginning of the year	1,308,700,218	1,027,424,512	2,336,124,730
Additions during the year	35,000,000	63,745,019	98,745,019
	<u>1,343,700,218</u>	<u>1,091,169,531</u>	<u>2,434,869,749</u>
Accumulated Depreciation:			
At the beginning of the year	-	(89,492,375)	(89,492,375)
Charge for the year	-	(29,934,541)	(29,934,541)
	<u>-</u>	<u>(119,426,916)</u>	<u>(119,426,916)</u>
Accumulated Impairment:			
At the beginning of the year	(197,166,644)	(94,802,261)	(291,968,905)
Reversal during the year	20,059,725	9,645,177	29,704,902
	<u>(177,106,919)</u>	<u>(85,157,084)</u>	<u>(262,264,003)</u>
Book Value as of 31 December 2022	<u><u>1,166,593,299</u></u>	<u><u>886,585,531</u></u>	<u><u>2,053,178,830</u></u>

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 some 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 for the period ended 30 June 2023 (30 June 2022: The Fund Manager note that some of the properties that have been impaired in prior period have higher recoverable amounts and accordingly, Fund Manager reversed the impairment loss of SR 17,399,174) to adjust the value of its investment properties to its recoverable amount.

7.4 - The net rental income from investment properties amounted to SR 79,106,069 during the period ended 30 June 2023 (30 June 2022: SR 79,110,418).

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

7 INVESTMENT PROPERTIES (continued)

7.5 - The investment properties represent nineteen (2022: nineteen) properties. Listed below are the details of these investment properties:

Properties	Location	Type of agreement
Jarir Al Ahsa	Riyadh	Multi-tenanted - retail sector
Faris International School	Riyadh	Triple net lease - education sector
Mutlaq Lulu	Riyadh	Triple net lease - retail sector
Anwar Plan	Riyadh	Multi-tenanted - retail sector
Narjes Plaza	Riyadh	Triple net lease - retail sector
Rama Plaza	Riyadh	Multi-tenanted - retail sector
Panda Marwah Jeddah	Jeddah	Triple net lease - retail sector
Panda Madain Fahad Jeddah	Jeddah	Triple net lease - retail sector
Panda Rawda Jeddah	Jeddah	Triple net lease - retail sector
Panda Khamis Mushait	Khamis Mushait	Triple net lease- retail sector
Al Andalus	Jeddah	Multi-tenanted - commercial sector
Lulu Central Logistics Warehouse	Riyadh	Triple net lease - logistics sector
Al Salam Hospital	Riyadh	Triple net lease - healthcare sector
Rowad Al Khaleej International School	Riyadh	Triple net lease - education sector
Rowad Al Khaleej International School	Dammam	Triple net lease- education sector
Blue Tower	Al Khobar	Triple net lease - commercial sector
Luluah Warehouse	Riyadh	Triple net lease - logistics sector
Baream Rowad Al Khaleej Kindergarten	Riyadh	Triple net lease - education sector
Oasis Mall	Al Kharj	Triple net lease - commercial 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 2023

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 19 properties. The appraisers that evaluated these properties are Knight Frank Valuation Company and Barcode for Real Estate Valuation Company (2022: Century 21 Valuation Company and Jones Lang La.Salle 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 2023, the valuation of investment properties are as follows:

<i>30 June 2023 (Unaudited)</i>	<i>Appraiser 1 SR</i>	<i>Appraiser 2 SR</i>	<i>Average SR</i>
Investment properties	<u>1,938,000,000</u>	<u>2,236,595,000</u>	<u>2,087,297,500</u>
<i>31 December 2022 (Audited)</i>	<i>Appraiser 1 SR</i>	<i>Appraiser 2 SR</i>	<i>Average SR</i>
Investment properties	<u>2,022,610,000</u>	<u>2,260,410,961</u>	<u>2,141,510,481</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 residual value method. The fair value versus cost analysis of the investment properties is presented in note 9.2.

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

	<i>30 June 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Fair value of investment in real properties (note 9.1)	2,087,297,500	2,141,510,481
Less: Carrying value of investments in real estate properties	(2,018,968,969)	(2,053,178,830)
Net impact based on fair value evaluation	<u>68,328,531</u>	<u>88,331,651</u>
Units in issue (numbers)	<u>161,856,857</u>	<u>161,856,857</u>
Impact per unit share based on fair value evaluation (SR)	<u>0.42</u>	<u>0.54</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 2023

**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 2023</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2022</i> <i>(Audited)</i> <i>SR</i>
Net assets value at cost, as presented in these financial statements	1,186,858,074	1,260,541,568
Net impact based on real estate evaluations (note 9.2)	68,328,531	88,331,651
Net assets based on fair value	<u>1,255,186,605</u>	<u>1,348,873,219</u>

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

	<i>30 June 2023</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2022</i> <i>(Audited)</i> <i>SR</i>
Net assets value at cost, as presented in these financial statements	7.33	7.79
Impact on net asset value per unit on account of unrealized loss based on evaluations (note 9.2)	0.42	0.54
Net assets based on fair value	<u>7.75</u>	<u>8.33</u>

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 2023

10 RELATED PARTY TRANSACTIONS AND BALANCE (continued)

Related Party	Nature of transaction	Amount of transaction		Balance receivables / (payable)	
		For the period ended 30 June 2023 (Unaudited) SR	For the period ended 30 June 2022 (Unaudited) SR	As at 30 June 2023 (Unaudited) SR	As at 31 December 2022 (Audited) SR
Al Rajhi Capital	Management fee	8,281,269	8,275,168	(12,554,812)	(4,273,543)
Al Rajhi Bank	Finance cost ***	25,017,199	12,836,955	(7,276,669)	(6,007,279)
	Bank balance**	-	-	1,012,484,727	125,000
	Murabaha facilities- non Current***	-	105,145,000	(896,399,599)	(896,399,599)
KASB Capital	Custodian fees *	92,500	27,500	(50,506)	(96,756)
Board of Directors	Board oversight fee	30,000	-	(60,000)	(60,000)
Al Khaleej Training and Education Company	Dividends netted off against rental income receivable	8,713,483	7,393,258	-	-
	Rental income	18,296,633	21,144,906	-	-

* Accrued finance cost and custodian fee are included in the statement of financial position under accrued expenses and other liabilities.

** As at 30 June 2023, the bank balance and Murabaha deposit with an amount of SR 1,012,484,727 (31 December 2022: 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 6 November 2019, the Fund has obtained a Shariah facility of SR 118,602,000 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 is 7 years. The facility was closed and merged with another facility on 3 February 2020.

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 2023				
Investment held at FVTPL (Note 6)	-	31,399,330	-	31,399,330
Derivative instruments at FVTPL		761,165		761,165
Total	-	32,160,495	-	32,160,495
31 December 2022				
Investment held at FVTPL (Note 6)	-	86,337,881	-	86,337,881
Total	-	86,337,881	-	86,337,881

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 2023.

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 2023

12 SEGMENT REPORTING

The Fund has invested in nineteen 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

In accordance with the terms and conditions of the Fund, on 1 February 2022, the Fund's Board of Directors approved to distribute dividends to its unitholders for the period from 1 July 2021 to 31 December 2021 amounting to SR 45,319,921 (SR 0.28 per unit). An amount of SR 37,926,663 (including withholding tax) was paid on 23 February 2022 and the remaining amount of SR 7,393,258 was settled against rent receivable due from related party (31 December 2021: on 1 February 2021, the Fund's Board approved to distribute dividends for the period from ended 1 July 2020 to 31 December 2020 amounting to SR 0.28 per unit totalling SR 45,319,920 to its unitholder. An amount of SR 37,926,662 (including withholding tax), the dividends was paid on 25 February 2021 and the remaining amount of SR 7,393,258 was netted from the rent receivables due from related party).

Furthermore, in accordance with the terms and conditions of the Fund, on 3 August 2022, the Fund's Board of Directors approved to distribute dividends to its unitholders for the period from 1 January 2022 to 30 June 2022 amounting to SR 53,412,762 (SR 0.33 per unit). An amount of SR 44,699,279 (including withholding tax), was paid on 25 August 2022 and the remaining amount of SR 8,713,483 was settled against rent receivable due from related party (31 December 2021: on 5 August 2021, the Fund's Board approved to distribute dividends for the period ended 30 June 2021 amounting to SR 0.28 per unit totalling SR 45,319,920 to its unitholders. An amount of SR 37,926,662 (including withholding tax) was paid on 26 August 2021 and the remaining amount of SR 7,393,258 was settled against rent receivable due from related party).

On 14 Jumada al-Ula 1444H (corresponding to 8 December 2022) the policy of distributing changed from distributing cash dividends from semi-annual, paid at the end of February and August, to quarterly cash dividends for the financial periods ending in March, June, September and December, where the payment of the dividends will be during the following quarter, starting from the first quarter of 2023, Cash dividends shall be distributed at the end of February 2023 for the half year ending in 2022.

On 6 February 2023 (corresponding to 15 Rajab 1444H), the Fund's Board of Directors approved to distribute dividends to its unitholders for the period from for the period 1 July 2022 to 31 December 2022 amounting to SR 53,412,763 (SR 0.33 per unit).

On 3 May 2023, the Fund's Board approved to distribute a dividend for the three-month period from 1 January 2023 to 31 March 2023 amounting to SAR 0.15 per unit totaling SAR 24,278,529 to its unitholders.

Subsequently on 2 July 2023, the Fund's Board approved to distribute a dividend for the three-month period from 1 April 2023 to 30 June 2023 amounting to SAR 0.12 per unit totaling SAR 19,422,822.84 to its unitholders.

14 LAST VALUATION DAY

The last valuation day of the period was 30 June 2023.

15 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Fund's Board on 20 Muharram 1445H (Corresponding to 7 August 2023).