ALAHLI REIT FUND (1)
(Managed by SNB Capital Company, formerly known as NCB Capital Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2023
together with
INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

ALAHLI REIT FUND (1)
(Managed by SNB Capital Company, formerly NCB Capital Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2023

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Unitholders of AlAhli REIT Fund (1) managed by SNB Capital Company (formerly NCB Capital Company)

Opinion

We have audited the financial statements of **AlAhli REIT Fund (1)** (the "Fund"), managed by SNB Capital Company (formerly NCB Capital Company) which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

To the Unitholders of AlAhli REIT Fund (1) managed by SNB Capital Company (formerly NCB Capital Company) (continued)

Valuation of investment properties and hotel property	
See Note 9 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As at 31 December 2023, the carrying value of Fund's investment properties and hotel property amounted to SR 1,903.3 million (31 December 2022: 1,851.4 million) and the fair value of these properties amounted to SR 2,078.9 million (31 December 2022: 2,018.1 million). Properties are stated at cost net of accumulated depreciation and impairment losses, (if any). However, the fair values of the investment and hotel properties along with its impact on net assets (equity) per unit is disclosed in the notes to the financial statements. The Fund uses the valuation reports from the independent valuers engaged by the Fund Manager to evaluate the recoverable amount of the investment and hotel properties at the reporting date. We have identified the valuation of investment and hotel properties as a key audit matter as the fair valuation used for disclosure purpose is determined based on level 3 valuation methodologies which requires management to make significant estimates and judgements (such as discount rates, exit yield rates, annual rental income, operating expenditure and occupancy) in determining the fair value of investment property. *Refer to material accounting policies in note 4 relating to valuation of investment and hotel properties, note 5 which contains the critical accounting judgements, estimates and assumptions relating to valuation of investment and hotel properties and note 9 relating to investment and hotel properties.*	Our audit procedures in this area included, among others: - Evaluated the Fund's process for the independent valuation of investment and hotel properties. Challenged the accuracy, completeness and consistency of the information provided to the external valuers which included testing a sample of income, tenancy and occupancy related data back to Fund held information. - Obtained an understanding of the valuation approach adopted by the Fund Manager. Engaged with the Fund's independent valuers through the Fund Manager to understand the assumptions and methodologies used in valuing the investment and hotel properties and the market evidence used by the independent valuers to support their assumptions. - Assessed the competence, capability and objectivity of the Fund's independent valuers as well as assessed whether they are certified from Saudi Authority for Accredited Valuers (TAQEEM). - Involved our own valuation specialist to perform an independent analysis of the fair values of Fund's investment and hotel properties and for assessing the inputs in the discounted cash flow calculation by comparing inputs (such as exit yield rates, annual rental income, operating expenditure and occupancy) with internally and externally derived data such as the Fund's budgets and forecasts, as well as our understanding of the industry and the economic environment that the Fund operates in. - Evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities.

Other Information

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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.

Independent Auditor's Report

To the Unitholders of AlAhli REIT Fund (1) managed by SNB Capital Company (formerly NCB Capital Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

- 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 Fund Manager.
- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of AlAhli REIT Fund (1) (the "Fund").

We also provide those charged with governance with a statement that we have complied 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

Ebrahim Oboud Baeshen
License Number: 382

Al Riyadh on: 21 Ramadan 1445H
Corresponding to: 31 March 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Expressed in Saudi Riyals '000 (unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents	*6*	**12,149**	9,975
Receivables from operating leases	*7*	**65,555**	72,134
Prepayments and other receivables	*8*	**4,356**	3,216
Total current assets		**82,060**	85,325
Non-current assets			
Investment properties and hotel property	*9*	**1,903,261**	1,851,363
Total non-current assets		**1,903,261**	1,851,363
Total assets		**1,985,321**	1,936,688
LIABILITIES			
Current liabilities			
Due to related parties	*14*	**31,229**	22,752
Unearned rentals	*10*	**41,584**	37,486
Other liabilities	*11*	**7,807**	4,703
Security deposits		**5,756**	6,731
Provision for Zakat	*13*	**345**	2,154
Total current liabilities		**86,721**	73,826
Non-current liabilities			
Security deposits		**720**	715
Borrowings	*12*	**660,005**	589,203
Total non-current liabilities		**660,725**	589,918
Total liabilities (excluding net assets attributable towards unitholders)		**747,446**	663,744
Net assets (equity) attributable to the unitholders		**1,237,875**	1,272,944
Units in issue (Numbers in thousands)		**137,500**	137,500
Net assets (equity) per unit (SAR)		**9.00**	9.26
Net assets (equity) per unit at fair value (SAR)	*21*	**10.28**	10.47

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Expressed in Saudi Riyals '000 (unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022
Rental revenue from investment properties	*16*	**167,329**	170,651
Revenue from hotel operations	*16*	**15,734**	14,469
Rebate income		**49**	61
Gain on investments at fair value through profit or loss		**364**	51
Total income		**183,476**	185,232
Expenses			
Operational expenses	*17*	**(48,634)**	(44,675)
Depreciation	*9*	**(23,978)**	(23,933)
Impairment loss on receivables from operating leases	*7*	**(8,500)**	(4,000)
Management fees		**(20,854)**	(20,339)
Professional fees		**(563)**	(530)
Board fees		**(100)**	(100)
Tadawul fees		**(805)**	(805)
Custody fees		**(506)**	(515)
Shariah fees		**(24)**	(24)
Other expenses		**(1,712)**	(1,344)
Total operating expenses		**(105,676)**	(96,265)
Operating profit before finance cost		**77,800**	88,967
Finance cost	*18*	**(37,244)**	(20,850)
Operating profit before Zakat		**40,556**	68,117
Zakat	*13*	**-**	(2,000)
Profit for the year		**40,556**	66,117
Other comprehensive income for the year		**-**	-
Increase in net assets attributable to unitholders		**40,556**	66,117
Weighted average units outstanding (Numbers in thousands)		**137,500**	137,500
Earnings per unit (Basic and diluted)		**0.29**	0.48

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2023

Expressed in Saudi Riyals '000 (unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022
Net assets (equity) attributable to the unitholders at beginning of the year		**1,272,944**	1,303,077
Increase in net assets attributable to unitholders		**40,556**	66,117
Dividend declared during the year	*22*	**(75,625)**	(96,250)
Net assets (equity) attributable to the unitholders at end of the year		**1,237,875**	1,272,944

The accompanying notes 1 to 28 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

Expressed in Saudi Riyals ‘000 (unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022
Cash flows from operating activities			
Operating profit before Zakat		**40,556**	68,117
Adjustment for non-cash items:			
Depreciation	*9*	**23,978**	23,933
Finance cost	*19*	**37,244**	20,850
Impairment loss on receivables against operating leases	*7*	**8,500**	4,000
Gain on investment at fair value through profit or loss		**-**	(51)
Disposal of investment at fair value through profit or loss		**-**	40,082
		110,278	156,931
Changes in:			
Receivables from operating leases		**(1,921)**	(19,808)
Prepayments and other receivables		**(1,140)**	(665)
Due to related parties		**8,477**	2,398
Unearned rentals		**4,098**	(98)
Other liabilities		**(73)**	(615)
Advances from operating leases		**(970)**	(250)
		118,749	137,893
Zakat paid	*13*	**(1,809)**	(2,076)
Net cash generated from operating activities		**116,940**	135,817
Cash flows from investing activities			
Additions to investment properties and hotel property	*9*	**(67,665)**	(47,170)
Net cash used in investing activities		**(67,665)**	(47,170)
Cash flows from financing activities			
Dividend paid	*22*	**(75,625)**	(96,250)
Proceeds from loan	*12*	**70,802**	30,475
Interest paid		**(42,278)**	(25,073)
Net cash used in financing activities		**(47,101)**	(90,848)
Net increase / (decrease) in cash and cash equivalents		**2,174**	(2,201)
Cash and cash equivalents at the beginning of the year		**9,975**	12,176
Cash and cash equivalents at end of the year		**12,149**	9,975

The accompanying notes 1 to 28 form an integral part of these financial statements.

1 THE FUND AND ITS ACTIVITIES

AlAhli REIT Fund (1) ("Fund") is a closed-ended Shariah compliant real estate investment traded fund, established and managed by SNB Capital Company, formerly NCB Capital Company ("Fund Manager"), a subsidiary of the Saudi National Bank ("SNB"), for the benefit of the Fund's unitholders. The Fund is ultimately supervised by the Fund Board.

As per license number 37-06046 granted by the Capital Market Authority ("CMA"), the Fund Manager is authorized to carry out the following activities with respect to securities:

a) Dealing as principal and agent, and underwriting;
b) Arranging;
c) Managing;
d) Advising; and
e) Custody.

The Fund's objective is to provide periodic rental income to its unitholders by investing mainly in developed income-generating properties and to potentially provide capital growth by developing and/or expanding and/or selling assets.

The Fund invests mainly in developed income-generating real estate assets and may invest part of its assets and cash surplus in Murabaha transactions and short term deposits in Saudi Riyals with banks that are licensed by the Saudi Central Bank ("SAMA") and operate in Saudi Arabia. The Fund may also invest in public money market funds approved CMA.

The terms and conditions of the Fund were approved by CMA on 11 Rabi AlAwwal 1439H (corresponding to 29 November 2017). The offering period for the subscription of the units was from 6 December 2017 to 19 December 2017. Unitholders subscribed for the units of the Fund during the offering period and cash was held in collection account of SNB Capital. The cash was transferred to the bank account of the Fund on its commencement date which was used to purchase the investment properties and units were issued to the unitholders simultaneously. The Fund commenced its activities on 25 December 2017 (the "Inception Date"). On the Inception Date, the Fund issued 137,500 units for SR 1,375 million, which was considered as an initial capital contribution of the Fund.

The Fund's term is ninety nine (99) years. The term of the Fund may be extended at the Fund Manager's discretion, subject to CMA approval.

The Fund was established and units were offered in accordance with the Real Estate Investment Traded Funds Instructions issued by CMA pursuant to Resolution No. 6-130-2016, dated 23/1/1438H, corresponding to 24/10/2016G amended by Resolution No. 2-115-2018, dated 13/2/1440H corresponding to 22/10/2018G. The Fund is governed by Real Estate Investment Funds Regulations issued by CMA on 19/6/1427 corresponding to 15/7/2006G.

As per the terms and conditions of the Fund, the Fund will distribute at least 90% of its net income to its unitholders.

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and to comply with the related Implementing Regulations issued by CMA and the Fund's terms and conditions.

Expressed in Saudi Riyals '000 (unless otherwise stated)

2 BASIS OF ACCOUNTING (CONTINUED)

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption except for investment at fair value through profit or loss ("FVTPL") which is recorded at fair value.

On 31 December 2019, CMA has examined the suitability of continuing to use the cost model or permitting the use of the fair value model or revaluation option and made the following decisions:

- Obligating listed funds to continue to use the cost model to measure property (under IAS 16) and investment property (under IAS 40) in the financial statements prepared for financial periods before the calendar year 2023.

- Allowing listed funds to choose between fair value model and revaluation model to measure property (under IAS 16) and investment property (under IAS 40) for the financial periods starting from the calendar year 2023 or thereafter. The Fund has chosen to continue to use the cost model to measure its investment properties.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The Fund Manager is in process of assessing the impact of the New Companies Law and will amend its Terms and conditions for any changes to align the terms and conditions to the provisions of the Law. Consequently, the Fund shall present the amended Terms and Conditions to the Fund's Board for their ratification.

2.3 Presentation and functional currency

The presentation and functional currency of the Fund is Saudi Riyals (SAR). The amounts included in these financial statements have been presented to the nearest thousand.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New standards, interpretations and amendments to accounting standards

Following standards, interpretations or amendments that became effective from the annual reporting period beginning on 1 January 2023 and have been adopted by the Fund, however, these did not have any impact on the financial statements for the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	January 01, 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	January 01, 2023

Expressed in Saudi Riyals '000 (unless otherwise stated)

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

New standards, interpretations and amendments to accounting standards (continued)

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	January 01, 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	January 01, 2023
Amendments to IAS 8	Definition of accounting estimates	January 01, 2023

New Standards not yet effective

The following new standards, amendments and revisions to existing standards, which were issued by IASB but not yet effective up to the date of issuance of the Fund's financial statements. The Fund intends to adopt these standards when they become effective.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 01, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 01, 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 01, 2024

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (CONTINUED)

New Standards not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 01, 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Available for optional adoption/effective date deferred indefinitely

The above amended standards and interpretations are not expected to have a significant impact on the Company's Financial Statements.

4 MATERIAL ACCOUNTING POLICIES

4.1 The Fund has consistently applied the accounting policies set out below to all periods presented in these financial statements, except if mentioned otherwise.

4.2 In addition, the Fund adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed herein.

Management reviewed the accounting policies and made updates to the information disclosed herein, Material Accounting Policies (2022: Significant accounting policies) in certain instances in line with the amendments.

Financial instruments

Recognition and initial measurement

Receivables from operating leases are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised 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 acquisition or issue.

4. MATERIAL ACCOUNTING POLICIES

Financial assets

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

A financial asset is measured at amortised 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 amortised cost or at FVTOCI.

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 derecognised 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

IFRS 9 impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

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 for operating lease receivables

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 amortised cost.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Expected credit loss assessment for operating lease receivables (continued)

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.

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.

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 realising security (if any is held); or
- When the customer is past due on any material credit obligation to the Fund. In-case the industry norm suggests a period fairly represents the default scenario for the Fund, this might rebut the presumption of 90 days mentioned in IFRS 9.

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

***Definition of default* (continued)**

The carrying amount of the asset is reduced using the above model and the loss is recognised in the statement of profit or loss. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognised under reversal of impairment loss on receivables from operating leases 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.

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 recognised 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, related parties and borrowings.

Derecognition
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised 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 recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability
The Fund derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognised in the statement of profit or loss.

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Investment properties and hotel property

Investment properties are land, building and equipment and furnishings physically attached and integral to a building 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.

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 expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Useful lives of different components of investment properties are as follows:

Categories	**Years**
Building	20 - 40
Furniture and fixtures	5 - 10
Computer and hardware	3 - 10
Office equipment	4 - 10

Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's 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 comprehensive income.

Provisions

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 losses.

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

Revenue recognition

The Fund's revenue mainly comprises of revenue from operating leases and revenue from hotel operations.

Rental revenue from lease of investment properties

As a lessor:

When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Fund has assessed that all of its leases are operating leases. Properties leased out under operating leases are included in investment property in the statement of financial position. Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from hotel operations:

Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognised net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered.

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties.

The Fund recognizes revenue when the rooms are occupied and food and beverages are sold and when other associated services are provided.

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Zakat

Zakat is the obligation of the unitholders and therefore, no provision for such liability has been made in these financial statements.

Net assets (equity) per unit

The net assets (equity) per unit is calculated by dividing the net assets (equity) attributable to the unitholders included in the statement of financial position by the numbers of units outstanding at the year end.

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets (equity). 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 (equity) 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 (equity) 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 (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgements, which are significant to the financial statements:

Judgements

Information about judgements 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.

Expressed in Saudi Riyals '000 (unless otherwise stated)

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the financial statements are described below:

Provision for expected credit losses on receivables from operating leases

The Fund uses a provision matrix to calculate ECLs of receivable from operating leases. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation rate and governmental spending) is expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecasted economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Useful lives of investment properties and hotel property

The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually, and changes in depreciation charges, if any, are adjusted in current and future periods.

Valuation of investment properties and hotel property

The Fund uses the services of third party professionally qualified evaluator to obtain estimates of the market value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the financial statements, For further details of assumptions and estimates please refer to note 9.

6 CASH AND CASH EQUIVALENTS

	Note	**31 December 2023**	31 December 2022
Cash at banks	*6.1*	**12,104**	9,927
Cash in hand		**45**	48
		12,149	9,975

6.1. This comprises balances held with local banks, in a current account, having credit rating of A-.

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7 RECEIVABLES FROM OPERATING LEASES

Receivables from operating leases comprise of the following:

	31 December 2023	31 December 2022
Receivables from operating leases	**89,035**	92,000
Less: Impairment loss on receivables from operating leases	**(23,480)**	(19,866)
Receivables from operating leases – net	**65,555**	72,134

The movement in impairment loss on receivables from operating leases is as follows:

	31 December 2023	31 December 2022
Opening balance	**19,866**	15,866
Charge for the year	**8,500**	4,000
Written off during the year	**(4,886)**	-
Closing balance	**23,480**	19,866

8 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Input value added tax	**2,758**	1,028
Other receivables	**1,010**	1,305
Prepaid expenses	**588**	883
	4,356	3,216

9 INVESTMENT PROPERTIES AND HOTEL PROPERTY

9.1 The Fund owns the following investment properties and hotel property:

Name of the property	*Nature of property*	*Purchase price*
AlAndalus Mall, Jeddah (*notes 9.1(i), 9.1(ii)*)	Mall	1,195,686
AlAndalus Mall Hotel, Jeddah (*note 9.1(i)*)	Hotel	200,000
Salama Tower, Jeddah (*note 9.1(iii)*)	Office	255,000
Qbic Plaza, Riyadh (*note 9.1(iv)*)	Office	250,000

i. The Fund acquired AlAndalus Mall and AlAndalus Mall Hotel at the Fund's inception against cash consideration of SR 405 million (representing 30% of the total purchase values of SR 1,350 million) and by issuing units in the Fund valuing SR 945 million to AlAndalus Property Company, the previous owner.

   AlAndalus Mall and AlAndalus Mall Hotel is pledged against the Islamic Financing Facility obtained from SNB Bank amounting to SR 650 million. The carrying values of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,425 million as at the reporting date.

ii. The Fund acquired land measuring 9,669 square meters adjacent to AlAndalus Mall on 9 November 2020 against cash consideration of SR 45.7 million for the purpose of expanding AlAndalus Mall.

9. INVESTMENT PROPERTIES AND HOTEL PROPERTY (CONTINUED)

iii. The Fund acquired Salama Tower on 4 August 2019 against cash consideration of SR 255 million. It was subsequently leased to the seller for a net lease amount of SR 23.1 million per annum for a period of 5 years. The seller is allowed to sub-lease the property to multi-tenants during this period.

iv. The Fund acquired Qbic Plaza on 22 June 2020 against cash consideration of SR 250 million and financed the acquisition through additional Islamic financing. The property is leased for a net lease amount of SR 21.6 million per annum, for a period of 3 years.

v. The Fund's properties are held under the custody of Sandooq Tamkeen Real Estate Company ("SPV"), which is owned by AlBilad Capital (the Custodian of the Fund). The Fund pays a custody fee of 0.025% per annum based on the average market values of the properties.

Expressed in Saudi Riyals '000 (unless otherwise stated)

9 INVESTMENT PROPERTIES AND HOTEL PROPERTY (CONTINUED)

9.2 At 31 December 2023, investment properties and hotel property represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation and impairment. The break-up of the cost of investment properties and hotel property is as follows:

	Land	Buildings	Furniture & fixture	Computer & hardware	Office equipment	Motor vehicles	*Construction in progress	Total
Cost:								
Balance at 1 January 2023	1,015,293	899,148	9,015	2,117	7,277	33	54,431	1,987,314
Additions during the year	-	-	-	-	-	86	75,790	75,876
Transfers during the year	-	4,344	-	-	-	-	(4,344)	-
Balance at 31 December 2023	1,015,293	903,492	9,015	2,117	7,277	119	125,877	2,063,190
Accumulated depreciation								
Balance at 1 January 2023	-	(124,450)	(5,215)	(1,117)	(5,154)	(15)	-	(135,951)
Depreciation during the year		(22,478)	(852)	(222)	(417)	(9)	-	(23,978)
Balance at 31 December 2023		(146,928)	(6,067)	(1,339)	(5,571)	(24)	-	(159,929)
Net book value at 31 December 2023	1,015,293	756,564	2,948	778	1,706	95	125,877	1,903,261

Expressed in Saudi Riyals '000 (unless otherwise stated)

9 INVESTMENT PROPERTIES AND HOTEL PROPERTY (CONTINUED)

	Land	Buildings	Furniture & fixture	Computer & hardware	Office equipment	Motor vehicles	*Construction in progress	Total
Cost:								
Balance at 1 January 2022	1,015,293	896,047	9,015	2,117	7,277	33	7,903	1,937,685
Additions during the year	-	-	-	-	-	-	49,629	49,629
Transfers during the year	-	3,101	-	-	-	-	(3,101)	-
Balance at 31 December 2022	1,015,293	899,148	9,015	2,117	7,277	33	54,431	1,987,314
Accumulated depreciation								
Balance at 1 January 2022	-	(102,267)	(4,248)	(893)	(4,602)	(8)	-	(112,018)
Depreciation during the year	-	(22,183)	(967)	(224)	(552)	(7)	-	(23,933)
Balance at 31 December 2022	-	(124,450)	(5,215)	(1,117)	(5,154)	(15)	-	(135,951)
Net book value at 31 December 2022	1,015,293	774,698	3,800	1,000	2,123	18	54,431	1,851,363

*The construction in progress relates to construction works at AlAndalus Mall. This includes capitalized borrowing cost amounted to SR 8,210,642 (2022: SR 2,459,539) with a capitalization rate of SAIBOR plus 1.25% (2022: SAIBOR plus 1.25%).

In accordance with Article 8 of the Real Estate Investment Traded Funds Instructions issued by CMA, the Fund Manager assesses the Fund's real estate values by appointing two independent evaluators to determine the market values in conformity with the International Valuation Standards Council's International Valuation Standards.

The carrying amounts of the investment properties and hotel property are:

	Note	**31 December 2023**	31 December 2022
AlAndalus Mall		**1,286,741**	1,223,336
AlAndalus Mall Hotel	*9.3*	**138,673**	141,292
Salama Tower		**238,154**	243,302
Qbic Plaza		**239,693**	243,433
		1,903,261	1,851,363

Expressed in Saudi Riyals '000 (unless otherwise stated)

9 INVESTMENT PROPERTIES AND HOTEL PROPERTY (CONTINUED)

9.3 The hotel is operated by AlAndalus Property Company under a management contract however, the Fund retains significant exposure to the variation in cash flows from operating the hotel.

9.4 Market values

9.4.1 The assumptions used in determining the fair values of the investment properties and hotel property are as follows:

Description	Valuation approach	Key assumptions	Market value As at 31 December 2023	Market value As at 31 December 2022
Evaluator: ESNAD / ValuStrat *				
AlAndalus Mall	Discounted cash flows	Discount rate: 10% (2022: 11%) Exit yield rate: 8% (2022: 8.5%) Occupancy rate: 94% (2022: 94%)	**1,391,369**	1,346,500
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11% (2022:11.5%) Exit yield rate: 8% (2022: 9%) Occupancy rate: 60% (2022: 44%)	**151,191**	156,000
Salama Tower	Discounted cash flows	Discount rate: 10% (2022:10.5%) Exit yield rate: 8.5% (2022:8.5%)	**272,591**	246,000
Qbic Plaza	Discounted cash flows	Discount rate: 10% (2022: 11%) Exit yield rate: 8% (2022: 8.5%)	**270,735**	252,000
			2,085,886	2,000,500
Evaluator: Deloitte / Knight Frank *				
AlAndalus Mall	Discounted cash flows	Discount rate:10.5% (2022: 11.25%) Exit yield rate:8.5% (2022: 8.75%) Occupancy rate 94% (2022: 94%)	**1,395,000**	1,390,885
AlAndalus Mall Hotel	Discounted cash flows	Discount rate:8.5% (2022: 11.25%) Exit yield rate:8% (2022 : 8.75%) Occupancy rate 60% (2022: 44%)	**140,000**	133,100
Salama Tower	Discounted cash flows	Discount rate:11% (2022 : 10.75%) Exit yield rate:9% (2022 : 8.25%)	**273,000**	242,820
Qbic Plaza	Discounted cash flows	Discount rate:10% (2022 : 10.50%) Exit yield rate: 8% (2022 : 8%)	**264,000**	266,180
			2,072,000	2,032,985

*Fair valuations of investment properties and hotel property as at 31 December 2023 were performed by ESNAD and Deloitte (31 December 2022: ValuStrat and Knight Frank).

The above valuators are qualified and adhere to the Saudi Authority of Accredited Valuer (TAQEEM) requirements and the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2022 (the "Red Book"), incorporating the International Valuation Standards (IVS). The RICS is a world leading body constantly looking to maintain its position as a global leader.

Expressed in Saudi Riyals '000 (unless otherwise stated)

9. INVESTMENT PROPERTIES AND HOTEL PROPERTY (CONTINUED)

The average fair value measurements of investment properties and hotel property have been categorized as level 3 fair values based on inputs to the valuation techniques used (as disclosed above). The table shows the breakdown as at 31 December 2023 and 31 December 2022:

	Average fair value measurement at 31 December 2023		
	Using quoted prices from active markets for identical assets (level 1)	**Other observable key inputs (level 2)**	**Other unobservable key inputs (level 3)**
Investment properties	-	-	**2,078,943**

	Average fair value measurement at 31 December 2022		
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investment properties	-	-	2,018,128

10 UNEARNED RENTALS

	Note	**31 December 2023**	31 December 2022
Opening balance		**37,486**	38,067
Invoices issued during the year		**185,474**	185,022
Revenue recognized during the year	*16*	**(183,063)**	(185,120)
Net amount received / (refunded) against inactive leases		**1,687**	(483)
Closing balance		**41,584**	37,486

11 OTHER LIABILITIES

	31 December 2023	31 December 2022
Accrued expenses and others	**4,630**	4,568
Finance cost payable	**3,177**	-
Trade payables	-	135
	7,807	4,703

12 BORROWINGS

	31 December 2023	31 December 2022
Opening balance	**589,203**	558,728
Financing facility utilized during the year	**70,468**	29,775
Amortization of loan arrangement fee	**334**	700
Closing balance	**660,005**	589,203

Expressed in Saudi Riyals '000 (unless otherwise stated)

12 BORROWINGS (CONTINUED)

On 7 November 2018, the Fund signed an agreement of Islamic financing facility of SAR 650 million with Saudi National Bank (SNB) (formerly known as NCB). The Fund transferred the title deed of properties, Al Andalus Mall and Al Andalus Mall Hotel, in favour of Real Estate Development Company for Management and Ownership, a fully owned subsidiary of the SNB as a security against the Islamic financing facility.

On 1 August 2019, the Fund utilized SAR 255 million as the first tranche from the Islamic financing facility. During the year 2020, the Fund utilized SAR 263 million as the Second tranche from the Islamic financing facility. During the year 2021, the Fund utilized further SAR 43 million. During the year 2022, the Fund utilized further SAR 30 million. During the year 2023, the Fund utilized further SAR 71 million. The unutilized balance as at 31 December 2023 is SAR 98 million (31 December 2022: SAR 59 million).

Initially, the tenor of Islamic financing facility was 15 years where the first payment was due on 30 June 2026. The Islamic financing facility provides 5 years grace period during which only profit payments are to be made. Following the grace period, the principal amount shall be repaid over 10 years on a quarterly basis. The Islamic financing facility carries commission rate of SAIBOR plus 1.75% per annum.

During the year, on 6 April 2023, the Fund signed an amendment of its agreement of Islamic financing facility changing the financing facility type to Murabaha from Ijarah. The Islamic financing facility carries commission rate of SAIBOR plus 1.25% per annum and the term has been revised and now the whole outstanding balance will be due in July 2026. Accordingly, the whole balance is disclosed as non-current.

Further on 5 October 2023, the Fund signed another amendment of its agreement of Islamic financing facility wherein facility amount has been increased to SAR 760 million instead of SAR 650 million.

13 ZAKAT

Zakat provision movement is as follows:

	2023	2022
Opening balance	**2,154**	2,230
Charge for the year	**-**	2,000
Payments made during the year	**(1,809)**	(2,076)
Closing balance	**345**	2,154

Zakat assessment status

The Fund has filed it's Zakat returns with the Zakat, Tax and Customs Authority for the years up till 2022 and assessments have been finalized till 2022. The Fund had been paying zakat on a voluntary basis in the prior years and has now deregistered itself. Accordingly, for the year 2023, the Fund will only be submitting an information declaration with ZATCA, showing the Zakat calculation to be paid by the unitholders.

Expressed in Saudi Riyals '000 (unless otherwise stated)

14 RELATED PARTY TRANSACTIONS AND BALANCES

The Fund's ultimate controlling company is the AlAndalus Property Company.

The related parties of the Fund comprise of the following and the Fund transacts with these parties in its ordinary course of business at commercial terms:

Name of entity	**Relationship**
SNB Capital Company (formerly NCB Capital Company)	Fund Manager
Saudi National Bank (SNB)	Parent of the Fund Manager
AlAndalus Property Company	Substantial Unitholder

Fund management fee

The Fund pays the Fund Manager a management fee of 1% per annum of the Fund's total assets (based on the last valuation) less the Fund's current liabilities. The management fee is payable in arrears on a semi-annual basis.

Agency fee and property management fee

The Fund via a master transfer agreement dated 25 December 2017 appointed APC as the "Property Agent". Under the agreement, APC is appointed to exercise, perform and discharge all rights and obligations as an agent of AlAndalus Mall and AlAndalus Mall Hotel. The Fund pays a fixed amount of SR 500,000 per annum to APC for the aforementioned agency services.

APC also manages the AlAndalus Mall for which it charges management fee from the Fund.

The Fund entered into the following transactions with related parties in the ordinary course of business at commercial rates. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions were approved by the Fund's Board.

Related party	**Nature of transactions**	**2023**	2022
AlAndalus Property Company	Rent collected on behalf of the Fund	**9,499**	4,282
	Payments received from APC	**-**	2,122
	Payments made to APC	**82,970**	50,895
	Payments made on behalf of Hotel	**910**	
	Parking & development fees	**74,148**	53,043
	Miscellaneous expenses	**1,304**	203
	Management fee charged	**13,261**	10,523
	Agency fees charged	**575**	575
SNB Capital Company, formerly NCB Capital Company	Payments made by the Fund	**10,196**	29,230
Saudi National Bank	Service fees charged	**108**	14
	Loan arrangement fees charged	**599**	259
	Payments made	**617**	273

Expressed in Saudi Riyals '000 (unless otherwise stated)

14 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The significant transactions with key management personnel are:

Key management personnel	**Nature of transaction**	**2023**	2022
Key management personnel	Board fee	**100**	100
	Fund Manager's fee	**20,854**	20,364

The above-mentioned transactions give rise to the following amounts due to related parties at the reporting date:

Due to related parties

Related party	**31 December 2023**	31 December 2022
SNB Capital, formerly NCB Capital Company	**20,854**	10,196
AlAndalus Property Company	**10,285**	12,556
SNB	**90**	-
	31,229	22,752

15 SEGMENT REPORTING

The Fund has four reportable segments, as described below, which are the Fund's strategic business units. These strategic business units offer different services, and are managed separately because they require different management and marketing strategies. For each of the strategic business units, the Fund Manager reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Fund's reportable segments:

Retail Sector	This comprises of AlAndalus Mall.
Hospitality Sector	This comprises of AlAndalus Mall Hotel.
Offices Sector	This comprises of Salama Tower and Qbic Plaza.
Fund's operations	This represents the Fund's administrative activities.

Expressed in Saudi Riyals '000 (unless otherwise stated)

15 SEGMENT REPORTING (CONTINUED)

The summary of the financial position and financial performance of these segments is as below:

For the year ended	**31 December 2023**					31 December 2022				
	Retail	**Hospitality**	**Offices**	**Fund Operations**	**Total**	Retail	Hospitality	Offices	Fund Operations	Total
Revenue	**121,944**	**15,734**	**45,385**	**-**	**183,063**	125,266	14,469	45,385	-	185,120
Operational expenses	**(31,959)**	**(15,226)**	**(1,330)**	**(119)**	**(48,634)**	(28,944)	(14,111)	(1,495)	(125)	(44,675)
Depreciation	**(10,671)**	**(4,419)**	**(8,888)**	**-**	**(23,978)**	(10,547)	(4,533)	(8,853)	-	(23,933)
Impairment loss on receivables against operating leases	**(8,500)**	**-**	**-**	**-**	**(8,500)**	(4,000)	-	-	-	(4,000)
Net profit / (loss)	**70,108**	**(4,192)**	**(2,079)**	**(23,281)**	**40,556**	81,024	(4,488)	14,186	(24,605)	66,117

As at	**31 December 2023**					31 December 2022				
	Retail	**Hospitality**	**Offices**	**Fund Operations**	**Total**	Retail	Hospitality	Offices	Fund Operations	Total
Total assets	**1,348,194**	**148,643**	**488,219**	**265**	**1,985,321**	1,288,007	145,320	499,607	3,754	1,936,688
Total liabilities	**207,198**	**2,323**	**515,888**	**22,037**	**747,446**	135,415	1,779	513,640	12,910	663,744

16 REVENUE FROM PROPERTIES

	31 December 2023	31 December 2022
Rental revenue on investment properties excluding hotel	**167,329**	170,651
Revenue from contracts with customers		
Revenue from hotel operations*	**15,734**	14,469
	183,063	185,120
Revenue from hotel operations – timing of revenue recognition		
Revenue recognised at a point in time	**15,734**	14,469

*Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided.

17 OPERATIONAL EXPENSES

	31 December 2023	31 December 2022
Operation and maintenance	**12,904**	14,044
Property management charges	**12,353**	9,924
Leasing and management fee	**7,082**	5,962
Utilities	**5,072**	4,771
Marketing	**2,471**	1,538
Insurance	**1,492**	1,062
Other operating costs	**7,260**	7,374
	48,634	44,675

18 Professional fee includes auditor's remuneration for the statutory audit of the Fund's financial statements for the year ended 31 December 2023 amounting to SR 0.2 million (2022: SR 0.2 million). Auditor's remuneration for the review of the Fund's interim financial statements for half year ended 30 June 2023 amounted to SR 0.05 million (2022: SR 0.05 million).

19 FINANCE COST

	31 December 2023	31 December 2022
Finance cost	**45,455**	23,310
Less: Finance cost capitalized during the year	**(8,211)**	(2,460)
Finance cost charged to profit or loss	**37,244**	20,850

20 EFFECT ON NET ASSETS (EQUITY) PER UNIT IF INVESTMENT PROPERTIES ARE FAIR VALUED

	Notes	**31 December 2023**	31 December 2022
Fair value of investment properties	*9.3*	**2,078,943**	2,018,128
Less: Carrying value of investment properties	*9.2*	**(1,903,261)**	(1,851,363)
Increase in net assets (equity)		**175,682**	166,765
Units in issue in thousands (number)		**137,500**	137,500
Additional net assets (equity) per unit based on fair value		**1.28**	1.21

Expressed in Saudi Riyals '000 (unless otherwise stated)

20 EFFECT ON NET ASSETS (EQUITY) PER UNIT IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

	31 December 2023	31 December 2022
Net assets (equity) attributable to unitholders before fair value adjustment	**1,237,875**	1,272,944
Increase in net assets (equity)	**175,682**	166,765
Net assets (equity) attributable to unitholders after fair value adjustment	**1,413,557**	1,439,709

Net Assets Attributable to each unit

Net assets (equity) per unit (SAR) before fair value adjustment	**9.00**	9.26
Increase in net assets (equity) per unit (SAR) based on fair value	**1.28**	1.21
Net assets (equity) attributable to unitholders after fair value adjustment	**10.28**	10.47

21 OPERATING LEASES

As a lessor

The Fund leases out its investment property. The Fund has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income recognised by the Fund during 2023 was SAR 167.33 million (2022: SAR 170.65 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	31 December 2023	31 December 2022
Less than one year	**63,889**	92,029
1 year to 2 years	**43,051**	51,966
2 years to 3 years	**29,496**	25,965
3 years to 4 years	**45,681**	45,737
4 years to 5 years	**32,685**	23,232
More than 5 years	**129,015**	139,115
	343,817	378,044

22 DIVIDEND DISTRIBUTION

On 9 March 2023 and 23 August 2023, the Fund's Board approved the distribution of dividend for the year ended 31 December 2022 and period ended 30 June 2023 amounted to SR 0.30 per unit and 0.250 per unit respectively. The same was paid on 28 March 2023 and 12 September 2023 respectively.

Expressed in Saudi Riyals '000 (unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Fund is subject to various financial risks due to its activities including: market risk (including currency risk, fair value and cash flows of commission rate risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Fund.

The Fund Manager is responsible for risk management. Financial instruments carried on the statement of financial position include cash and cash equivalents, investment at fair value through profit or loss, receivables from operating , certain other receivables, long-term debt, due to related parties, trade payables, accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. A financial asset and liability is offset and net amount is reported in the financial statements, when the Fund has a legally enforceable right to set off the recognized amount and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

a. 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.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund's transactions are principally in Saudi Riyals and hence the Fund is not exposed to any significant current risk.

Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Fund's financial positions and cash flow.

The Fund's commission rate risks arise mainly from its borrowings, which are at variable rate of interest and are not subject to re-pricing on a regular basis.

The Fund's interest rate risks arise mainly from its borrowings, which are at variable commission rate and the sensitivity analysis as follows:

	Balance as at 31 December 2023			
	Statement of profit or loss and other comprehensive income		Statement of financial position	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Islamic financing facility cost	(6,600)	6,600	(6,600)	6,600
Cash-flow sensitivity (net)	(6,600)	6,600	(6,600)	6,600

Expressed in Saudi Riyals '000 (unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Balance as at 31 December 2022			
	Statement of profit or loss and other comprehensive income		Statement of financial position	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Islamic financing facility cost	(5,892)	5,892	(5,892)	5,892
Cash-flow sensitivity (net)	(5,892)	5,892	(5,892)	5,892

b. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk in respect of its receivables from lessees under operating leases, investment at fair value through profit or loss, cash and cash equivalents, and certain other receivable balances.

	31 December 2023	31 December 2022
Cash and cash equivalents	**12,149**	9,927
Receivables from operating leases, gross	**89,035**	92,000
Other receivables	**1,010**	1,305
	102,194	103,232

The carrying amounts of financial assets represents the maximum credit exposure on these assets.

Credit risk on receivables and cash and cash equivalents is limited as:

- Cash balances are held with local banks having A- credit ratings;
- Financial position of lessees is stable.

The Fund has receivables from lessees against operating leases in the Kingdom of Saudi Arabia. The Fund manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Fund seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the objective that the Fund's exposure to bad debts is not significant.

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

	Weighted average loss rate (%)	**Gross carrying amount**	**Impairment allowance**
31 December 2023			
0-90 Days	**12%**	**28,084**	**1,685**
More than 90 Days	**40%**	**60,951**	**21,795**
Total		**89,035**	**23,480**

	Weighted average loss rate (%)	Gross carrying amount	Impairment allowance
31 December 2022			
0-90 Days	12%	34,784	2,007
More than 90 Days	41%	57,216	17,859
Total		92,000	19,866

Expressed in Saudi Riyals '000 (unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Liquidity risk

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

The Fund 's objective is to maintain a balance between continuity of funding and flexibility using bank overdrafts and bank loans.

The table below analyses the Fund's financial liabilities as at the reporting date and classifies into relevant maturities based on the contractual undiscounted cash flows.

At 31 December 2023	**Less than 1 year**	**1 year to 2 years**	**2 years to 5 years**	**More than 5 years**
Borrowings	**-**	**-**	**660,005**	**-**
Due to related parties	**31,229**	**-**	**-**	**-**
Other liabilities	**7,807**	**-**	**-**	**-**
	39,036	**-**	**660,005**	**-**

At 31 December 2022	Less than 1 year	1 year to 2 years	2 years to 5 years	More than 5 years
Borrowings	-	-	103,111	486,092
Due to related parties	22,752	-	-	-
Other liabilities	4,703	-	-	-
	27,455	-	103,111	486,092

24 FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and at prevailing market conditions regardless if the price is directly identified or estimated using other valuation technique.

All assets and liabilities whether measured at fair value or their fair values are disclosed in the financial statements in accordance with the hierarchical levels of fair value measurements as stated below are classified into the lowest level of measuring input which is considered significant for measuring the fair value as a whole.

Level 1: Declared (unadjusted) and quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs that are directly or indirectly observable or tracked for an asset or a liability other than declared prices mentioned in level 1.

Level 3: Inputs that are unobservable or not tracked for an asset or a liability.

Fair values of financial instruments

The Fund is exposed to risks as a result of using financial instruments. The following explains the Fund's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

Expressed in Saudi Riyals '000 (unless otherwise stated)

24 FAIR VALUE (CONTINUED)

There were no significant changes that may expose the Fund to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

- The Fund's financial assets consist of cash and cash equivalents, receivables from operating leases, and certain other receivables. The Fund's financial liabilities consist of borrowings, due to related parties and other liabilities.

- The Fund's management considers the fair value for all these financial assets and liabilities to be approximately equal to their carrying values because of the nature of these financial instruments.

- There were no transfers between level 1, 2 or 3 during the reporting period.

Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission. Actual commission rates and periods of re-pricing or maturity of financial assets and liabilities are mentioned in the related notes.

25 CAPITAL MANAGEMENT

The Fund's Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Fund's monitors the return on capital, which the Fund defines as result from operating activities divided by total unitholders' equity. The Fund's Board also monitors the level of dividends to ordinary shareholders.

The Fund's Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Fund monitors capital using a ratio of adjusted net debt to equity. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under leases, less cash and cash equivalents.

The Fund's net debt to equity ratio as at 31 December was as follows:

	31 December 2023	31 December 2022
Total liabilities	**747,446**	663,744
Less: cash and cash equivalents	**(12,149)**	(9,975)
Net debt	**735,297**	653,769
Equity	**1,237,875**	1,272,944
Net debt to equity ratio at 31 December	**0.594**	0.514

There were no changes in the Fund's approach to capital management during the year. The Fund is not subject to externally imposed capital requirements.

26 SUBSEQUENT EVENTS

There are no events subsequent to the year that require adjustment or disclosure in these financial statements.

27 LAST VALUATION DAY

The last valuation day for the year was 31 December 2023.

28 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 17 Ramadan 1445H (corresponding to 27 March 2024).