

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

Together with the Independent Auditor's Review Report to the Unitholders

DERAYAH REIT FUND

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(Managed by Derayah Financial Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

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

TO THE UNITEHOLDERS OF DERAYAH REIT FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Derayah REIT fund (the "Fund") managed by Derayah Financial Company (the "Fund Manager") as at 30 June 2024 and the related interim statements of comprehensive income and changes in net assets (equity) attributable to unitholders and cash flows for the six-month period ended at 30 June 2024, and a summary of material accounting policies and other explanatory notes.

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 financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

**For PKF Albassam
Chartered Accountants.**



Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No.: 477
Date: 4 Safar 1446
Corresponding to: 8 August 2024

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	30 June 2024 (Unaudited) (SAR)	31 December 2023 (Audited) (SAR)
ASSETS			
Current Assets			
Cash and cash equivalents	4	5,334,955	4,831,432
Rental receivables, net	5	83,371,569	66,767,578
Prepayments and other receivables		2,064,226	2,330,492
Total Current Assets		90,770,750	73,929,502
Non-Current Assets			
Investment property	6	1,408,644,214	1,410,609,904
Beneficial interest contracts	7	27,900,111	28,931,983
Total Non-Current Assets		1,436,544,325	1,439,541,887
TOTAL ASSETS		1,527,315,075	1,513,471,389
LIABILITIES			
Current Liabilities			
Unearned rental income		15,986,329	10,478,672
Accrued management fee	9	8,077,698	4,427,604
Accrued finance expenses		1,011,283	-
Due to related parties	9	-	1,818,659
Accruals and other liabilities		6,957,433	4,288,011
Total Current Liabilities		32,032,743	21,012,946
Non-Current Liabilities			
Long-term borrowings	10	607,982,834	607,982,834
Total Non-Current Liabilities		607,982,834	607,982,834
TOTAL LIABILITIES		640,015,577	628,995,780
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS			
		887,299,498	884,475,609
Units in issue (numbers)		107,507,035	107,507,035
Book value of net assets attributable per unit		8.253	8.227
Fair value of net assets attributable per unit	8	9.162	8.806

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**For the six-month period ended 30 June 2024**

	Note	30 June 2024 (Unaudited) (SAR)	30 June 2023 (Unaudited) (SAR)
Income			
Rental income, net		49,543,804	49,271,310
Realized gain from Investments carried at FVTPL		-	102,371
Other income		-	201,420
Total operating income		49,543,804	49,575,101
Expenses			
Depreciation expense of investment property	6	(9,984,116)	(10,260,417)
Reversal / (provision) for impairment on investment property	6	8,018,426	(2,259,198)
Management fee	9	(3,650,094)	(3,889,799)
Finance expenses	10	(24,423,587)	(27,067,585)
Professional expenses		(368,675)	(327,408)
Property management fee		(824,777)	(1,921,939)
Amortization of beneficial interest contracts	7	(1,031,872)	(923,610)
ECL expense	5	(3,000,000)	(2,580,769)
Other expenses		(2,263,930)	(1,823,395)
Total expenses		(37,528,625)	(51,054,120)
Net income / (loss) for the period before zakat		12,015,179	(1,479,019)
Zakat	11	-	(785,579)
Net income / (loss) for the period		12,015,179	(2,264,598)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		12,015,179	(2,264,598)

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS

For the six-month period ended 30 June 2024

	<u>Note</u>	30 June 2024 (Unaudited) (SAR)	30 June 2023 (Unaudited) (SAR)
Net asset value attributable to the Unitholders at beginning of the period		884,475,609	882,036,779
Dividends	12	(9,191,290)	(27,091,773)
Total comprehensive income / (loss) for the period		12,015,179	(2,264,598)
Net asset value attributable to the Unitholders at end of the period		887,299,498	852,680,408

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS**For the six-month period ended 30 June 2024**

	Note	30 June 2024 (Unaudited) (SAR)	30 June 2023 (Unaudited) (SAR)
OPERATING ACTIVITIES			
Net income / (loss) for the period before zakat		12,015,179	(1,479,019)
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Realized gain on investments carried at FVTPL		-	(102,371)
Finance expenses	10	24,423,587	27,067,585
ECL	5	3,000,000	2,580,769
Depreciation of investment property	6	9,984,116	10,260,417
(Reversal) / provision for impairment on investment property	6	(8,018,426)	2,259,198
Amortization of beneficial interest contracts	7	1,031,872	923,610
		<u>42,436,328</u>	<u>41,510,189</u>
<i>Changes in operating assets:</i>			
Payments for purchase of investment properties		-	(307,530)
Rental receivables		(19,603,991)	837,336
Prepayments and other receivables		266,266	430,000
<i>Changes in operating liabilities:</i>			
Unearned rental income		5,507,657	4,247,019
Accrued management fee		3,650,094	45,660
Due to related parties		(1,818,659)	1,470,115
Accruals and other liabilities		2,669,422	1,213,360
Net cash generated from operating activities		<u>33,107,117</u>	<u>49,446,149</u>
INVESTING ACTIVITIES			
Proceeds from disposal of investments carried at FVTPL		-	5,842,276
Net cash generated from investing activities		<u>-</u>	<u>5,842,276</u>
FINANCING ACTIVITIES			
Dividends	12	(9,191,290)	(27,091,773)
Finance expenses paid		(23,412,304)	(26,444,107)
Net cash used in financing activities		<u>(32,603,594)</u>	<u>(53,535,880)</u>
Change in cash and cash equivalents during the period		503,523	1,752,545
Cash and cash equivalents at beginning of the period		<u>4,831,432</u>	<u>2,225,214</u>
Cash and cash equivalents at end of the period	4	<u>5,334,955</u>	<u>3,977,759</u>

The accompanying notes 1 to 16 form an integral part of these interim condensed financial statements.

DERAYAH REIT FUND

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(Managed by Derayah Financial Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

1. FUND AND ITS ACTIVITIES

Derayah REIT Fund ("the Fund") is a Sharia-Compliant Closed-Ended Real Estate Investment Traded Fund (REIT) that commenced operating on 26 March 2018.

The Fund is managed by Derayah Financial Company (the "Fund Manager"), a Saudi Closed Joint-Stock Company, registered under commercial registration number 1010266977 dated 04/05/1430 AH (corresponding to 29/04/2009) and licensed as a "Financial Market Institution" under the Capital Market Authority ("CMA") license number 27-08109 to engage in principal and agency dealing, management, and custody of securities.

The Fund is listed on the Saudi Exchange ("Tadawul") and its units are traded in compliance with applicable rules and regulations. The Fund's capital is SAR 1,075,070,350, and its term is 99 years from the date of listing on Tadawul, subject to renewal for a similar period at the discretion of the Fund Manager, subject to CMA approval.

The objective of the Fund is to invest in rental income-generating properties located within the Kingdom of Saudi Arabia, in accordance with the Fund's investment strategy as set forth in the Terms and Conditions, and to distribute quarterly dividends of not less than 90% of the Fund's net income, in compliance with Real Estate Investment Fund Regulations ("REIFR").

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS 34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These statements should be read in conjunction with the Fund's latest annual financial statements for the year ended 31 December 2023. Typically, these interim condensed financial statements do not include all the information required for the preparation of financial statements, but selected accounting policies and explanatory notes have been included to explain significant events and transactions to give an understanding of the changes in the Fund's financial position and performance since 31 December 2023.

Furthermore, the results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that can be expected for the full year ended 31 December 2024.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the application of the accrual basis of accounting.

2.3 Regulatory Authority

The Fund operates in accordance with the REIFR issued by the CMA. The regulations detail requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

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For the six-month period ended 30 June 2024

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.3 Regulatory Authority (Continued)

Pursuant to Ministerial Decision No. (29791) dated 9 Jumada I 1444 AH (corresponding to 3 December 2022), the Minister of Finance approved the Regulations for the collection of Zakat from investors in investment funds licensed by the Capital Market Authority ("CMA". This resolution is effective for annual periods beginning on 1 January 2023, and requires investment funds to register with the Zakat, Tax and Customs Authority ("ZATCA"). The Regulations for the collection of Zakat from investors in real estate investment funds require the fund to submit an information return to ZATCA within 120 days of the end of its fiscal year, which shall include audited financial statements, records of transactions with related parties, and any additional data required by ZATCA. In accordance with the Regulations, investment funds are not subject to Zakat collection according to the Regulations for the collection of Zakat from investors in investment funds, including funds in form of a special purpose vehicle and licensed by the CMA, provided that they do not engage in economic activities or investment activities not specified in the articles of association or terms and conditions of such investment funds.

2.4 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the Fund's functional and presentation currency.

2.5 Significant accounting judgments and estimates

In preparing these interim condensed financial statements, the significant judgments made by management in the application of the Fund's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended 31 December 2023. There are new standards, amendments, and interpretations that are effective for the first time in 2024, but they do not have a material impact on the Fund's interim condensed financial statements.

There are several other amendments and interpretations that have been issued but aren't yet effective at the date of these interim condensed financial statements. The Fund's Board believes that these amendments will not have a material impact on the Fund's interim condensed financial statements. The Fund intends to adopt these amendments and interpretations, if applicable, when they become effective.

3. MANAGEMENT FEE AND OTHER CHARGES

The Fund Manager charges the Fund a management fee of 0.85% per annum, payable on a semi-annual basis, based on the Fund's net asset value. In addition, the Fund Manager charges a one-time transaction fee of up to 1% of the purchase or sale price of properties.

4. CASH AND CASH EQUIVALENTS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Cash at bank	<u>5,334,955</u>	<u>4,831,432</u>
	<u>5,334,955</u>	<u>4,831,432</u>

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5. RENTAL RECEIVABLES, NET

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Rental receivables	129,477,019	109,873,028
ECL provision	(46,105,450)	(43,105,450)
	83,371,569	66,767,578

Below is a summary of the movements of ECL provision:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Beginning balance for the period / year	(43,105,450)	(26,452,829)
Charged for the period / year	(3,000,000)	(16,652,621)
Ending balance for the period / year	(46,105,450)	(43,105,450)

6. INVESTMENT PROPERTY

	Land	Building	Total
Cost:			
Beginning balance for the period	769,182,625	798,729,319	1,567,911,944
Balance as at 30 June 2024	769,182,625	798,729,319	1,567,911,944
Accumulated Depreciation:			
Beginning balance for the period	-	(113,985,193)	(113,985,193)
Charged for the period	-	(9,984,116)	(9,984,116)
Balance as at 30 June 2024	-	(123,969,309)	(123,969,309)
Impairment:			
Beginning balance for the period	-	(43,316,847)	(43,316,847)
Reversal of impairment	-	8,018,426	8,018,426
Balance as at 30 June 2024	-	(35,298,421)	(35,298,421)
Net Book Value:			
Balance as at 30 June 2024	769,182,625	639,461,589	1,408,644,214
Balance as at 31 December 2023	769,182,625	641,427,279	1,410,609,904

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For the six-month period ended 30 June 2024

6. INVESTMENT PROPERTY (CONTINUED)

The investment property portfolio is made up of 24 properties, as outlined below:

- | | |
|---|--|
| <ul style="list-style-type: none">- Smart Tower: (Office & Retail) located in Olaya District, Riyadh.- Jubail Views Residential Compound: A gated residential Compound located in Rawdat Al Khalidiah district, Jubail.- Mena Warehouses Complex: Three warehouses and their annexes (administrative and service offices) located in Mena district, Dammam.- Grand (A) Residential Building: A fully integrated residential property located in Anwar district, Dammam.- Education & Skills International School: An educational facility located in Deriyah Governorate- Rasil Medical Center: A medical building located in Al Mansurah Neighborhood in Riyadh- City Life Plaza: A commercial property located in Al Munsiyah district, Riyadh.- Al-Wadi District Warehouses: represents a warehouse adjacent and a residential building located in Wadi district, Jeddah.- Khumrah Warehouse Complex: a warehouse located in Sarawat District, Jeddah.- Aziziyah Warehouses (1): A warehouse located in Aziziyah District, Riyadh.- Motoon Tower: A hotel property located in Olaya District, Riyadh.- Al-Fanar Commercial Complex: Commercial building located in Rakah district, Khobar.
- Al-Sitteen Commercial Center: (commercial-office) building located in AlDhubbat district, Riyadh. | <ul style="list-style-type: none">- Grand (B) Commercial Building: an educational property located in Anwar district, Dammam.- Dammam Labor Housing: 2 labor housing buildings located in Mena district, Dammam.
- Employee Residential Buildings Jubail: 4 residential buildings situated in three adjacent districts in the northern end of Jubail.- Khobar Labor Housing: labor housing building located in Thiqbh district, Khobar.- AlKhaleejiah Business Center: a commercial and office building located in Rawabi district, Khobar.- Jeddah Office Tower: an administrative and office building located in Zuhara district, Jeddah.
- Sulay Warehouses Complex: warehouses of different sizes within an enclosed perimeter, located in Sulay district, Riyadh.- Al-Khalidiyah District Warehouses (1): 2 adjacent warehouses located in the northern end of Khalidiyah district, Dammam.- Dammam Labor Housing (2): 3 labor housing buildings located in Mena district, Dammam.
-- Al-Khalidiyah District Warehouses (2): a warehouse located in Khalidiyah district, Dammam.- Aziziyah Warehouses (2): a warehouse located in Aziziyah district, Riyadh. |
|---|--|

- 6.1** The Fund's depreciation policy for buildings is based on a 40-year useful life. The depreciation expense is calculated using the straight-line method.
- 6.2** All properties are legally registered under the name of Derayah Real Estate Company ("the Company"). The Company holds these properties for the benefit of the Fund and does not have any controlling interest, nor does this give rise to any material risks to the Fund.
- 6.3** All properties of Derayah REIT are mortgaged to Al-Rajhi Bank as a collateral for the facility provided to the Fund. The mortgage will be discharged upon full settlement of the Fund's liabilities to Al-Rajhi Bank (Note 10).

DERAYAH REIT FUND

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

6. INVESTMENT PROPERTY (CONTINUED)

6.4 The Fund Manager periodically reviews its investment properties to determine if there is any indication of an impairment loss. An impairment loss is recognized when the carrying amount of the investment property exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. As at 30 June 2024, based on periodic valuation reports provided by independent valuers, an impairment reversal of SAR 8 million was recognized for investment properties. As at 31 December 2023, a portion of the impairment loss recognized in prior years was reversed by SAR 15.7 million."

The average fair value measurement of investment property has been categorized within Level 3 of the fair value hierarchy due to the significant inputs required in the valuation techniques.

7. BENEFICIAL INTEREST CONTRACTS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
<u>Cost:</u>		
Beginning balance for the period / year	<u>41,274,864</u>	<u>41,274,864</u>
Ending balance for the period / year	<u>41,274,864</u>	<u>41,274,864</u>
<u>Accumulated Amortization:</u>		
Beginning balance for the period / year	<u>(12,342,881)</u>	<u>(10,170,312)</u>
Charged for the period / year	<u>(1,031,872)</u>	<u>(2,172,569)</u>
Ending balance for the period / year	<u>(13,374,753)</u>	<u>(12,342,881)</u>
<u>Net Book Value:</u>		
Ending balance for the period / year	<u>27,900,111</u>	<u>28,931,983</u>

Beneficial interest contracts consist of a property and its accompanying statement is as follows:

- The Valley Commercial Center: the property is a strip mall located in AlAhssa

Investment property and beneficial interest contracts have been disclosed at fair value. The significant inputs used in the valuation techniques include:

Discount rates that reflect current market assessments of the uncertainty inherent in the amount and timing of cash flows.

Capitalization rates based on the property's specific location, size, quality, and considering market data at the valuation date.

Projected future rental cash flows based on the property's specific location, type, quality, and supported by the terms of any existing lease agreements or other external evidence such as current market rentals of similar properties.

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8. EFFECTS ON NET ASSET VALUE IF INVESTMENT PROPERTY AND BENEFICIAL INTEREST CONTRACTS ARE FAIR VALUED

In accordance with REIFR issued by the CMA, the Fund Manager values the Fund's real estate assets based on the average of two independent valuations. However, in accordance with the Fund's accounting policy, investment property and beneficial interest contracts are recognized at cost less accumulated depreciation and impairment, if any, in these interim condensed financial statements. Consequently, fair value is disclosed below for informational purposes only and is not recognized in the Fund's records.

The fair value of investment property and beneficial interest contracts is determined by valuers for each property. These valuers are One Alrai for Real Estate Appraisal and Esnad Real Estate Company, both of which are certified by Saudi Authority for Accredited Valuers ("TAQEEM"). The following table presents the valuation of investment property and beneficial interest contracts as at 30 June 2024, and 31 December 2023:

<u>30 June 2024 (Unaudited)</u>	<u>Valuer 1</u>	<u>Valuer 2</u>	<u>Average</u>
Investment property	1,488,839,694	1,507,702,755	1,498,271,225
Beneficial interest contracts	34,862,461	37,045,000	35,953,731
Total	1,523,702,155	1,544,747,755	1,534,224,955

<u>31 December 2023 (Audited)</u>	<u>Valuer 1</u>	<u>Valuer 2</u>	<u>Average</u>
Investment property	1,443,792,923	1,490,019,000	1,466,905,962
Beneficial interest contracts	33,200,330	36,597,000	34,898,665
Total	1,476,993,253	1,526,616,000	1,501,804,627

Management has used the average of the two valuations for the purpose of disclosing the fair value of investment property and beneficial interest contracts.

The investment property and beneficial interest contracts were valued considering various factors including property size, type, and valuation techniques using significant unobservable inputs such as financial and fragmentation plot analysis, the cost method, the income approach, market value approach, and discounted cash flow approach. The following analysis compares the fair value of investment property to their cost:

	<u>30 June 2024 (Unaudited)</u>	<u>31 December 2023 (Audited)</u>
Estimated fair value of investment property and beneficial interest contracts based on the average of the two valuations used	1,534,224,955	1,501,804,627
Less book value:		
Investment property	(1,408,644,214)	(1,410,609,904)
Beneficial interest contracts	(27,900,111)	(28,931,983)
Estimated fair value in excess of book value	97,680,630	62,262,740
Units in issue (numbers)	107,507,035	107,507,035
Additional share per unit based on the estimated fair value	0.909	0.579

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For the six-month period ended 30 June 2024

8. EFFECTS ON NET ASSET VALUE IF INVESTMENT PROPERTY AND BENEFICIAL INTEREST CONTRACTS ARE FAIR VALUED (CONTINUED)

Net asset value attributable to the Unitholders:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Net asset value attributable to the Unitholders as per the financial statements before fair valuation	887,299,498	884,475,609
Estimated fair value in excess of book value	97,680,630	62,262,740
Net asset value attributable to the Unitholders based on the fair value of investment property	984,980,128	946,738,349

Net asset value attributable per unit:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Book value of net assets attributable per unit as per the financial statements before fair valuation	8.253	8.227
Additional share per unit based on fair valuation	0.909	0.579
Fair value of net assets attributable per unit	9.162	8.806

9. RELATED-PARTY TRANSACTIONS AND BALANCES

The Fund's related parties include Derayah Financial Company (the "Fund Manager") and Alinma Investment Company (the "custodian"). In the normal course of the Fund's business, it engages in arm's length transactions with its related parties. Related-party transactions are governed by the regulations issued by the CMA. All such transactions require prior approval from the Fund's Board.

Below is a detailed breakdown of the Fund's significant related-party transactions during the period, along with the resulting balances:

Related Party	Nature of Relationship	Nature of Transactions	Amount of Transactions During the Period	
			30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Derayah Financial Company	Fund Manager	Management fee	3,650,094	3,889,799
		Expenses paid on behalf	-	1,414,115
Alinma Investment Company	Custodian	Custody fee	30,000	60,000
Board members.	Board members.	Attendance allowances	6,000	4,000

Due to related parties

	Nature of Transactions	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Derayah Financial Company	Management fee	(8,077,698)	(4,427,604)
Alinma Investment Company	Custody fee	(150,000)	(120,000)
Board members.	Attendance allowances and compensation	(8,000)	(8,000)

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For the six-month period ended 30 June 2024

10. BORROWINGS

During the year ended 31 December 2020, the Fund obtained a borrowing of SAR 105.5 million from Al-Rajhi Bank for a term of seven years. The borrowing carries a variable interest rate, with interest payable semi-annually over the borrowing term. The borrowing is secured by a mortgage on Smart Tower. Finance costs incurred for the year ended 31 December 2023, have been included in the liabilities.

During 2022, Derayah REIT refinanced its existing borrowing by obtaining a new long-term borrowing of SAR 642 million from Al-Rajhi Bank for a seven-year term. The borrowing carries a variable interest rate, payable semi-annually. The proceeds from this new borrowing were utilized to fully repay the existing borrowing with Riyadh Bank, which amounted to SAR 642 million. Consequently, at the end of 2022, the total borrowing from Al-Rajhi Bank reached SAR 747 million, secured by a mortgage on all Derayah REIT's properties. This mortgage will be released when the borrowing is paid off to Al-Rajhi Bank.

During 2023, the Fund entered into borrowing amendment agreements to extend the maturity date of its existing borrowing.

Type of the borrowing	Nature of the borrowing	Balance (1)		Commission Expense (2)	
		30 June 2024	31 December 2023	30 June 2024	31 December 2023
Time / Tawaruq	Long-term	607,982,834	607,982,834	24,423,587	49,977,496
		607,982,834	607,982,834	24,423,587	49,977,496

11. ZAKAT

In accordance with the Zakat regulations for investment funds, such funds are not subject to Zakat collection based on the regulations governing Zakat collection from investors in investment funds, provided that they do not engage in economic activities or investment activities that are not specified in their Terms and Conditions. The Fund Manager is required to submit an information return to ZATCA within 120 days of the end of the fiscal year.

12. DIVIDENDS

In accordance with the Fund's Terms and Conditions (Note 1), the Fund aims to distribute quarterly dividends of at least 90% of the Fund's net income. The Fund Manager calculates the distributable cash based on cash generated from operations, which is determined by adding depreciation and impairment losses on investment property to the net income as reported in the statement of comprehensive income for the period ended 30 June 2024. Dividends for the period are as follows:

- 1) On 1 January 2023, the Fund Manager approved a dividend distribution at SAR 0.140 per unit for the period ended 31 December 2022, amounting to a total of SAR 15,000,000 to the Unitholders.
- 2) On 2 April 2023, the Fund Manager approved a dividend distribution at SAR 0.112 per unit for the period ended 31 March 2023, amounting to a total of SAR 12,040,788 to the Unitholders.
- 3) On 3 July 2023, the Fund Manager approved a dividend distribution at SAR 0.1 per unit for the period ended 30 June 2023, amounting to a total of SAR 10,750,704 to the Unitholders.
- 4) On 25 January 2024, the Fund Manager approved a dividend distribution at SAR 0.086 per unit for the period ended 31 December 2023, amounting to a total of SAR 9,207,356 to the Unitholders.

DERAYAH REIT FUND

Closed-Ended Real Estate Investment Traded Fund

(Managed by Derayah Financial Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

13. SUBSEQUENT EVENTS

On 14 July 2024, the Fund Manager approved a dividend distribution at SAR 0.060 per unit for the period ended 30 March 2024, amounting to a total of SAR 6,500,000 to the Unitholders.

14. SEGMENT REPORTING

The Fund has invested in 24 investment properties and one beneficial interest in the Kingdom of Saudi Arabia. The operating segments are disclosed in a manner consistent with the internal reporting used by the chief operating decision-maker.

The Fund Manager is responsible for the entire Fund 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.

15. LAST VALUATION DAY

The last valuation day of the period was 30 June 2024 (31 December 2023).

16. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements were authorized for issue by the Fund's Board of Directors on 29 July 2024 (corresponding to 23 Muharram 1446).