DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2024
Together with the
Independent Auditor's Report

DERAYAH REIT FUND
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(Managed by Derayah Financial Company)
Financial Statements together with Independent Auditor's Report
For the year ended 31 December 2024

	PAGES
INDEPENDENT AUDITOR'S REPORT	1-5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS	8
STATEMENT OF CASH FLOWS	9
NOTES TO THE FINANCIAL STATEMENTS	10-31

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Derayah REIT Fund ("the Fund"), being managed by Derayah Financial Company (the "Fund Manager"), as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

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

- The statement of financial position as at 31 December 2024;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, comprising material accounting policies information and other explanatory information.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current 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 DERAYAH REIT FUND A REAL ESTATE INVESTMENTS TRADED FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the key audit matter
Valuation of investment properties	
Derayah REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia with carrying value of the investment's properties amounting SAR 1.393 billion as of 31 December 2024 (31 December 2023: SAR 1.410 million). Investment properties are held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semi-annual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements. Refer to the summary of material accounting policies in note 5 relating to impairment of investment properties, note 4 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 11 relating to investment properties.	We have carried out the following audit procedures: - We obtained two valuation reports from independent real estate evaluators Taqeem certified for each investment properties as at 31 December 2024 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date; - We assessed the independence of the external valuers, professional qualifications, competence and experience and ensured that they are certified from Taqeem, and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; - Involved our specialist to assess the key assumptions and estimates, used by the real estate valuation experts in determining the fair values of the investment properties; - Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same; - We reconciled the average fair value of the investment properties as per note 9 to the external valuers' reports; and - Assessing the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

Other information consists of the information included in the Fund's 2024 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Fund's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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 management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 "ISA" that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF
DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 communications.

For PKF Albassam Chartered Accountants.

Ahmad Mohandis
Certified Public Accountant
License No. 477
Riyadh: 27 Shaban 1446
Corresponding to: 26 February 2025

شركة بي كي اف البسام
محاسبون ومراجعون قانونيون
C. R. 1010385804
PKF Al Bassam
chartered accountants

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024
(Amounts in SAR)

	Note	2024	2023
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**3,529,340**	4,831,432
Rent receivables, net	8	**72,387,065**	66,767,578
Investments carried at FVTPL	9	**27,199,885**	-
Prepaid expenses and other current assets	10	**3,593,443**	2,330,492
TOTAL CURRENT ASSETS		**106,709,733**	73,929,502
NON-CURRENT ASSETS			
Investment properties, net	11	**1,393,073,140**	1,410,609,904
Benefit contracts, net	12	**26,868,240**	28,931,983
TOTAL NON-CURRENT ASSETS		**1,419,941,380**	1,439,541,887
TOTAL ASSETS		**1,526,651,113**	1,513,471,389
LIABILITIES			
CURRENT LIABILITIES			
Unearned rental income		**21,803,323**	10,478,672
Accrued management fees	15	**5,875,608**	4,427,604
Due to related parties		**299,000**	1,818,659
Accrued finance expenses	17	**9,720,345**	-
Accrued expenses and other liabilities		**8,911,642**	4,288,011
Accrued dividend		**7,591,486**	-
TOTAL CURRENT LIABILITIES		**54,201,404**	21,012,946
NON-CURRENT LIABILITIES			
Long-term borrowings	17	**602,882,834**	607,982,834
TOTAL NON-CURRENT LIABILITIES		**602,882,834**	607,982,834
TOTAL LIABILITIES		**657,084,238**	628,995,780
Net assets attributable to the Unitholders		**869,566,875**	884,475,609
Units in issue *(numbers)*		**107,507,035**	107,507,035
Book value attributable to each unit		**8.088**	8.227
Fair value attributable to each unit	14	**9.468**	8.806

The accompanying notes 1 to 25 form an integral part of these financial statements.

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024
(Amounts in SAR)

	Note	2024	2023
Rental income	16	**97,302,069**	103,489,386
Gain from investments carried at FVTPL, net	13	**352,528**	204,233
Capital (loss)/gain from investments properties sale		**(128,649)**	21,752,657
Other income		**11,000**	6,165,549
Total income		**97,536,948**	131,611,825
Fund management fees	15	**(7,447,943)**	(7,739,890)
Finance expenses	17	**(46,843,984)**	(49,977,496)
Professional and advisory expenses		**(1,060,274)**	(841,042)
Properties management fees		**(4,367,529)**	(1,921,939)
Amortization benefit contracts	12	**(2,063,743)**	(2,172,569)
Dealing fees		**(51,000)**	(1,581,390)
Other expenses	18	**(2,758,185)**	(4,387,024)
Depreciation expense on investment properties	11	**(19,942,757)**	(21,740,489)
Reversal of impairment on investment properties	11	**7,634,642**	15,673,479
Expected credit loss expense	8	**(5,800,223)**	(16,652,621)
Total expenses		**(82,700,996)**	(91,340,981)
Net income for the year		**14,835,952**	40,270,844
Other comprehensive income		**-**	-
Total comprehensive income for the year		**14,835,952**	40,270,844

The accompanying notes 1 to 25 form an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE UNIT HOLDERS
For the year ended 31 December 2024
(Amounts in SAR)

	Note	2024	2023
Net assets value attributable to the Unitholders at the beginning of the year		**884,475,609**	882,036,779
Total comprehensive income for the year		**14,835,952**	40,270,844
Dividends	21	**(29,744,686)**	(37,832,014)
Net assets value attributable to the Unitholders at the end of the year		**869,566,875**	884,475,609

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2024
(Amounts in SAR)

	Note	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year before zakat		**14,835,952**	40,270,844
Adjustments to reconcile net income:			
Unrealized gains on investments carried at FVTPL	13	**(284,984)**	-
Realized gain from investments carried at FVTPL	13	**(67,544)**	(204,233)
Financing expenses	17	**46,843,984**	49,977,496
Provision for expected credit losses		**5,800,223**	16,652,621
Write-off	8	**(8,359,863)**	**-**
Adjustment to receivables made during the year		**(6,916,144)**	**-**
Depreciation on investment properties	11	**19,942,757**	21,740,489
Capital loss/(gain) from investments properties sale		**128,649**	(21,752,657)
Impairment on investment properties	11	**(7,634,642)**	(15,673,479)
Amortization benefit contracts	12	**2,063,743**	2,172,569
		66,352,131	93,183,650
Changes in operating assets:			
Rent receivable	8	**3,856,297**	(17,818,086)
Prepaid expenses and other current assets	10	**(1,262,951)**	(1,327,190)
Changes in operating Liabilities:			
Unearned rental income		**11,324,651**	(206,561)
Accrued management fees		**1,448,004**	(5)
Due to related parties		**(1,519,659)**	1,818,659
Accrued finance expenses		**-**	(2,399,565)
Accrued expenses and other liabilities		**12,215,117**	(647,186)
Reversal of zakat provision		**-**	(5,964,130)
Net cash generated from operating activities		**92,413,590**	66,639,586
INVESTING ACTIVITIES			
Purchase investment properties	11	**-**	(307,530)
Proceeds from investments properties sale		**5,100,000**	158,139,534
Purchase investment carried at FVTPL	9	**(51,847,357)**	(25,000,000)
Proceeds from sale of investment carried at FVTPL	9	**25,000,000**	30,944,138
Net cash (used in)/generated from investing activities		**(21,747,357)**	163,776,142
FINANCING ACTIVITIES			
Dividends	21	**(29,744,686)**	(37,832,014)
Long-term borrowings drawn	17	**-**	1,404,277,520
Long-term borrowings repayments	17	**(5,100,000)**	(1,544,277,520)
Finance expenses paid	17	**(37,123,639)**	(49,977,496)
Net cash used in financing activities		**(71,968,325)**	(227,809,510)
Change in cash and cash equivalents during the year		**(1,302,092)**	2,606,218
Cash and cash equivalents at the beginning of the year	7	**4,831,432**	2,225,214
Cash and cash equivalents at the end of the year	7	**3,529,340**	4,831,432
Non cash transactions			
Dividend payable		**7,591,486**	-

The accompanying notes 1 to 25 form an integral part of these financial statements.

1. THE FUND AND ITS ACTIVITIES

Derayah REIT Fund (the "Fund") is a closed-ended Sharia compliant real estate investment traded Fund. The Fund began operations on 26 March 2018.

Derayah Financial Company ("Fund Manager"), a Saudi closed joint stock company, under the Commercial Registration No. 1010266977 dated 04/05/1430 H corresponding to 29/4/2009, and licensed as a "Capital Market Institution" under the Capital Market Authority License No. 27-08109 to practice an activity Dealing as principal and agent, management and custody in securities business.

The Fund is listed on the Saudi Stock Exchange ("Tadawul") and its units are traded in accordance with the relevant laws and regulations. The capital of the Fund is 1,075,070,350 Saudi riyals, and the term of the Fund is 99 years starting from the date of listing units in Tadawul, renewable for a similar period according to the Fund manager's discretion and after obtaining the approval of the Capital Market Authority.

The Fund aims to invest in real estate assets capable of achieving periodic rental income within the Kingdom of Saudi Arabia and in line with the Fund's investment strategy, and to distribute quarterly profits of at least 90% of the Fund's net profits in accordance with Real Estate Investment Funds Regulations.

1) REGULATING AUTHORITY

The Fund operates in accordance with the Real Estate Investment Funds Regulations issued by the Capital Market Authority, which stipulates the requirements that real estate investment Funds and real estate investment traded Funds operating in the Kingdom of Saudi Arabia must follow.

The Minister of Finance, pursuant to Ministerial Resolution No. (29791) dated 9 Jumada al-Awwal 1444 (corresponding to December 3, 2022), approved the rules for collecting zakat from investors in investment Funds permitted by the Capital Market Authority. This decision applies to the fiscal years starting from January 1, 2023, and requires investment Funds to register with the Zakat, Tax and Customs Authority (ZATCA). The rules for collecting zakat from investors in real estate Funds also require the Fund to submit an information declaration to the Authority within a period not exceeding 120 days from the end of its fiscal year, provided that it includes the audited financial statements and records of transactions with persons associated with the Fund ("related parties") and any additional data requested by it. Commission. Under the rules, investment Funds are not subject to the collection of zakat in accordance with the rules for collecting zakat from investors in investment Funds, including Funds that take the form of a special purpose entity licensed by the Capital Market Authority, provided that they do not carry out economic business or investment activities that are not stipulated in the bylaws or conditions. And special provisions for investment Funds. Zakat will be collected from the Fund's unit holders. During the current period, the Fund Manager has completed the registration of the Fund with Zakat and will submit the Zakat information declaration in due course.

2) BASES OF PREPARATION

A. Statement of compliance

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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").

3) BASIS OF PREPARATION (CONTINUED)

B. Basis of measurement functional and presentation currency

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting except for the investments carried at fair value through profit or loss. These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Fund.

4) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgements and estimates applied in the preparation of these financial statements are as follows:

4.1 Judgments

4.1.1 Going Concern

The Fund Manager of the Fund has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern.

4.2 Significant accounting judgments, estimates and assumptions

4.2.1 Useful lives of investment properties

The REIT's management determines the estimated useful lives of investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the salvage value and useful lives annually and annual depreciation charge would be adjusted where the management believes the useful lives differed from previous estimates.

4.2.2 Impairment of investment properties

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

4.2 Significant accounting estimates, judgments and assumptions (Continued)

4.2.2 Impairment of investment properties (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

For investment properties, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the REIT estimates the asset's or Cash Generating Unit's (CGUs) 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.

4.2.3 Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the asset-specific risks. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flows calculations.

4.2.4 Expected credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk.
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

The material accounting policies used in the preparation of these consolidated financial statements are set out as follows, these policies have been consistently applied to all years, unless otherwise stated.

4) SIGNIFICANT ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (CONTINUED)

4.2 Significant accounting estimates, judgments and assumptions (Continued)

Write-off

The total carrying amount of financial assets is written off (either partially or completely) 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 can generate sufficient cash flows to repay the amounts subject to write-offs.

5) MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Fund without any restrictions. Cash and cash equivalents are measured at amortized cost within the consolidated statement of financial position.

Rent receivable

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

Investment properties

Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.
Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

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

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

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

Categories	**Useful Life**
Building	40

5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Benefit contracts

Benefit contracts represents includes agreement for the rental properties that outlines the rights and advantages one party receives from a transaction or agreement, without necessarily owning the property itself. They are recorded at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the term of the contract.

Impairment of non-current assets

Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determine. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income.

Accrued expenses and other liabilities

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision is recognised when the REIT 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 amount can be reliably measured. Provision is not recognised for future operating loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of Funds.

Expenses

Expenses including Property management expenses, custodial fees and other expenses are recorded on accrual basis.

5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Net assets value per unit

The net assets value per unit disclosed in the financial statements is calculated by dividing the net assets of the Fund by the number of units in issue at the year- end.

Dividend distribution

The Fund's policy is to distribute and pay at least 90% of net income as annual distributions on a quarterly basis. Does not include the profit from the sale of any real estate investment, depreciation period and impairment.

Financial instruments

Initial recognition and measurement

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

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

Classification of financial assets

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

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

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Classification of financial assets (continued)

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

Financial liabilities

Initial recognition and measurement

The Fund's financial liabilities include amounts due to related parties, accrued expenses and other liabilities. Financial liabilities are measured at amortised cost.

Subsequent measurement

Financial liabilities at amortised cost

This is the category most relevant to the Fund. After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

5) MATERIAL ACCOUNTING POLICIES (CONTINUED)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance cost over the period of the borrowings using the EIR method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Rental income

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

Management fees and other expenses

On a semi-annual basis, the Fund Manager charges the Fund a management fee of 0.85% per annum of the Fund's NAV as mentioned in terms and conditions of the Fund. The Fund manager shall also recover from the Fund any other expenses incurred on behalf of the Fund such as audit fees, legal fees, board compensation and other similar fees.

Transaction fees

Moreover, the Fund manager charges a one-time transaction fee of 1% maximum on the purchase or sale price of real estate assets.

6) NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

<u>Amendments</u>
A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Fund’s Financial Statements, except for were referenced below.

New standards, amendments and revised IFRS issued but not yet effective

The Fund has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

Management anticipates that these new standards interpretations and amendments will be adopted in the Fund’s financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Fund in the period of initial application.

6) NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

Amendments to standard	Description	Effective for years beginning on or after	Summary of the amendment
IFRS 21	Lack of exchangeability	1 January 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes. Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.

6) NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

The following new amendments to standards, enlisted below, are effective from 1 January 2024 but they do not have a material effect on the Fund's financial statements.

Amendments to standard	Description	Effective for years beginning on or after	Summary of the amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified o what is meant by a right to defer settlement, o that a right to defer must exist at the end of the reporting period, o that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	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.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

7) CASH AND CASH EQUIVALENTS

	2024	2023
Cash at bank	**3,529,340**	4,831,432
	3,529,340	4,831,432

Cash in current accounts are held with local banks. The Fund does not earn profit on these current accounts.

8) RENT RECEIVABLES, NET

	2024	2023
Rent receivables	**106,016,731**	109,873,028
Expected credit loss expense	**(33,629,666)**	(43,105,450)
	72,387,065	66,767,578

8) RENT RECEIVABLES, NET (CONTINUED)

The movement in expected credit loss provision is summarized as follows:

	2024	2023
1 January	**(43,105,450)**	(26,452,829)
Written off during the year	**8,359,863**	-
Charge for the year	**(5,800,223)**	(16,652,621)
Adjustment made during the year	**6,916,144**	-
31 December	**(33,629,666)**	(43,105,450)

9) INVESTMENTS CARRIED AT FVTPL

31 December 2024	**Fund manager**	**Number of units**	**Cost**	**Market Value**
Derayah Money Market Fund	Derayah Financial Company	**2,639,023**	**26,914,901**	**27,199,885**

31 December 2023	Fund manager	Number of units	Cost	Market Value
Derayah Money Market Fund	Derayah Financial Company	-	-	-

9.1 Movement in investments carried at fair value through profit or loss

	2024	2023
Cost		
As at the beginning of the year	-	5,739,905
Additions during the year	**51,914,901**	25,000,000
Proceeds from disposals during the year	**(25,000,000)**	(30,739,905)
As at the end of the year	**26,914,901**	-
Change in fair value	**284,984**	-
Net investment as at the end of the year	**27,199,885**	-

10) PREPAID EXPENSES AND OTHER CURRENT ASSETS

	2024	2023
Due from related party	**11,247**	11,247
Prepaid expenses	**273,583**	32,360
Other receivables	**725,644**	722,827
Prepaid rent	**366,667**	366,667
VAT receivable	**2,216,302**	1,197,391
	3,593,443	2,330,492

DERAYAH REIT FUND
A Real Estate Investment Traded Fund
(Managed by Derayah Financial Company)

Notes to the financial statements
For the year ended 31 December 2024
(All amounts in SAR)

11) INVESTMENT PROPERTIES, NET

	Note	Land	Building	Total
Cost				
Balance the beginning of the year		**769,182,625**	**798,729,319**	**1,567,911,944**
Additions during the year		**-**	**-**	**-**
Disposals during the year		**(2,596,800)**	**(3,108,868)**	**(5,705,668)**
Balance at the end of year		766,585,825	795,620,451	1,562,206,276
Accumulated Depreciation				
Balance the beginning of the year		**-**	**(113,985,193)**	**(113,985,193)**
Charge for the year	11.1	**-**	**(19,942,757)**	**(19,942,757)**
Disposals depreciation		**-**	**477,019**	**477,019**
Balance at the end of year		**-**	**(133,450,931)**	**(133,450,931)**
Impairment				
Balance the beginning of the year		**-**	**(43,316,847)**	**(43,316,847)**
Reversal of provision of impairment during the year	11.2	**-**	**7,634,642**	**7,634,642**
Balance at the end of year		**-**	**(35,682,205)**	**(35,682,205)**
Book Value:				
as of 31 December 2024		**766,585,825**	**626,487,315**	**1,393,073,140**

11) INVESTMENT PROPERTIES, NET (CONTINUED)

	Note	Land	Building	Total
Cost				
Balance the beginning of the year		843,638,767	870,545,647	1,714,184,414
Additions during the year		-	307,530	307,530
Disposals during the year		(74,456,142)	(72,123,858)	(146,580,000)
Balance at the end of year		769,182,625	798,729,319	1,567,911,944
Accumulated Depreciation				
Balance the beginning of the year		-	(97,500,854)	(97,500,854)
Charge for the year		-	(21,740,489)	(21,740,489)
Disposals depreciation		-	5,256,150	5,256,150
Balance at the end of year		-	(113,985,193)	(113,985,193)
Impairment				
Balance the beginning of the year		-	(63,927,299)	(63,927,299)
Reversal of provision of impairment during the year		-	15,673,479	15,673,479
Reversal of provision of impairment for disposals		-	4,936,973	4,936,973
Balance at the end of year		-	(43,316,847)	(43,316,847)
Book Value:				
as of 31 December 2023		769,182,625	641,427,279	1,410,609,904

11.1 The Fund charge depreciation on building over 40 years. Depreciation is calculated on a straight-line basis.

11.2 On August 01, 2024, Dammam Labor Housing was sold for SAR 5.1 million, the net book value of the property was SAR 5.2 million (2023: SAR 5.3 million) in accordance with contract no. (DRYA-674-08-01-04-17-13) signed through Hefz Al Derayah Real Estate Company.

11.3 All properties are registered in the name of the company "Derayah Real Estate Custody" ("the SPV"), except for the real estate secured by obtaining loans (see note 17). The SPV is holding these properties for beneficial ownership of the Fund and does not process any controlling interests or any stake in the real estate

11.4 The Fund manager periodically reviews its investment properties to determine if there is any indication of impairment in assets value. An impairment loss is considered as the amount that exceeds the carrying value of the investment properties its recoverable value, which is higher than the fair value of the assets less the cost of sale and the value of its use. As of 31 December 2024, Impairment provision has been reversed with amount of SR 7.6 million (December 31, 2023: 15.7 million).

The average fair value of the investment properties has been rated as Level 3 fair value based on the inputs to the valuation techniques used.

11) INVESTMENT PROPERTIES, NET (CONTINUED)

Investments properties consist of 23 properties which are as follows:

- Smart Tower: Office & Retail in Al-Olaya District, Riyadh
- Jubail Views Residential Compound: A residential compound in Rawdah Al Khalidiya in Jubail.
- Mena Warehouses Complex: Three warehouses (administrative and service offices) in Al-Mina area in Dammam
- The Grand (A) Residential Building: An integrated residential property located in Dammam
- Education & Skills School: An educational building located in Al-Deraiya governorate in Riyadh
- Rasil Medical Center: A medical center building located in Al- Mansourah district in Riyadh
- City Life Plaza: A commercial property in the Monceya in Riyadh.
- Al-Wadi District Warehouses: represents a warehouse and a residential building and is located in the valley district in Jeddah
- Jeddah Khumarh Warehouses: a warehouse located in the Sarawat district in Jeddah
- Riyadh Al-Azizia Warehouses (1): A warehouse located in Al-Aziziya district in Riyadh
- Motoon Towers: A hotel property located in Al-Olaya in Riyadh.
- Al-Fanar Commercial Complex: Commercial real estate in Al-Raka in Al-Khobar.
- Khalijah business centre.
- The Grand (B) Commercial Building: An educational property located in Dammam
- Jubail Employees Residential Buildings: Four residential buildings located in three close areas in the north of Jubail.
- Khobar Labor Housing: A residential building for workers in Al-Thaqbah in Al-Khobar
- Jeddah Office Tower: An administrative and office building located in Jeddah.
- Sulay Warehouses Complex: A collection of warehouses located in Al-Sulay in Riyadh.
- Khalidiya District Warehouses (1). Two warehouses located in the northern Khalidiya district of Dammam
- Dammam Labor Housing. Three residential buildings in Al-Mina district in Dammam
- Al-Khalidiyyah District Warehouses (2): A warehouse located in the Khalidiya district in Dammam.
- Riyadh Al-Azizia Warehouses (2): A warehouse located in Al-Aziziya district in Riyadh.
- AlSitteen Commercial Center: Commercial-Office Property in Al-Zubat district in Riyadh.

12) BENEFIT CONTRACTS, NET

Benefit contracts consist of real estate of The Valley Commercial Complex: a shopping centre in Al-Ahsa.

	2024	2023
Cost		
Balance at the beginning of the year	**41,274,864**	41,274,864
Balance at end of the year	**41,274,864**	41,274,864
Accumulated Amortization		
Balance at the beginning of the year	**(12,342,881)**	(10,170,312)
Charge for the year	**(2,063,743)**	(2,172,569)
Balance at end of the year	**(14,406,624)**	(12,342,881)
Book Value:		
Balance as of 31 December	**26,868,240**	28,931,983

13) GAIN FROM INVESTMENTS CARRIED AT FVTPL

	2024	2023
Realized gain from investments carried at FVTPL	**67,544**	204,233
Unrealized gain from investments carried at FVTPL	**284,984**	-
	352,528	204,233

14) EFFECT OF NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Real Estate Investment Funds Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. However, in accordance with the policy of the Fund, investment property is stated at cost less accumulated depreciation and impairment, if any, in these financial statements. Accordingly, fair value is disclosed below for the purpose of obtaining information and is not accounted for in the books of the Fund.

The fair value of real estate investments and benefit contracts is determined by valuators of each asset, namely Esnad Real Estate Valuation Company, and White Cubes (2 valuators for each property). The following is an assessment of real estate investments and benefit contracts as at 31 December:

31 December 2024	**First Appraiser**	**Second Appraiser**	**Average**
Investment properties	**1,536,800,000**	**1,538,147,333**	**1,537,473,667**
Benefit contracts	**35,800,000**	**25,916,000**	**30,858,000**
Total	**1,572,600,000**	**1,564,063,333**	**1,568,331,667**

31 December 2023	**First Appraiser**	**Second Appraiser**	**Average**
Investment properties	1,443,792,923	1,490,019,000	1,466,905,962
Benefit contracts	33,200,330	36,597,000	34,898,665
Total	1,476,993,253	1,526,616,000	1,501,804,627

The management used the average valuations for the purpose of disclosing the fair value of investment properties and benefit contracts.

The investment and benefit contracts were valued taking into consideration number of factors, including the area and type of property and valuation techniques using material unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. Below is an analysis of the investment properties fair value versus cost:

	2024	2023
Estimated fair value of investment properties and benefit contracts based on the average of the two valuators used	**1,568,331,667**	1,501,804,627
Less book value:		
Investment properties	**(1,393,073,140)**	(1,410,609,904)
Benefit contracts	**(26,868,240)**	(28,931,983)
Increase in estimated fair value of carrying value	**148,390,287**	62,262,740
Units in issue (numbers)	**107,507,035**	107,507,035
The additional share of the unit of estimated fair value	**1.380**	0.579

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

Net asset attributable to unitholders:	**2024**	2023
Net assets attributable to unitholders as per the financial statements before fair value adjustment	**869,566,875**	884,475,609
Increase in estimated fair value of carrying value	**148,390,287**	62,262,740
Net value of assets attributable to unit holders on the basis of fair value of investment property and benefit contracts	**1,017,957,162**	946,738,349

Net asset attributable to each unit:	**2024**	2023
Carrying value per unit as per the financial statements before fair value adjustment	**8.088**	8.227
The unit value is based on fair value	**1.380**	0.579
Net assets attributable to each unit	**9.468**	8.806

15) RELATED PARTY TRANSACTIONS

Related parties to the Fund include Derayah Financial (Fund Manager), Al-Inma Investment Company (Custodian) and BOD members. In the ordinary course of its activities, the Fund transacts business with related parties and any party that has the ability to control another party or exercise a material influence over it in making financial or operational decisions.

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

Related Party	**Nature of Transactions**	**Amount of transactions 2024**	**Balance 2024**
	Management fees	**7,447,943**	**(5,875,608)**
Derayah Financial	Dealing fees	**51,000**	**(51,000)**
Al-Inma Investment Company	*Custodial fees	**120,000**	**(240,000)**
BOD members	Allowances and bonuses	**6,000**	**(8,000)**

Related Party	Nature of Transactions	Amount of transactions 2023	Balance 2023
Derayah Financial	Management fees	7,739,890	(4,427,604)
	Dealing fees	1,581,390	-
Al-Inma Investment Company	*Custodial fees	120,000	(120,000)
BOD members	Allowances and bonuses	-	(8,000)

The following is the number of units held by the Fund Manager as of December 31:

Related Party	**Nature of Related Party**	**2024**	2023
Derayah Financial	Fund Manager	**2,596,559**	2,596,559

15) RELATED PARTY TRANSACTIONS (CONTINUED)

The Fund, during its normal business cycle, conducts transactions with related parties. Transactions with related parties are subject to restrictions set by the Terms and Conditions. All transactions with related parties are disclosed to the Fund's board of directors.

* The Fund pays the custodian fees in the amount of 120,000 Saudi riyals annually, which are due on a daily basis and paid on a semiannual basis to the custodian.

16) RENTAL INCOME

	2024	2023
Rental income from real estate investments	**97,302,069**	103,489,386
	97,302,069	103,489,386

Rental income from investment properties is recognized on time proportion basis.

17) LONG-TERM BORROWINGS

The Fund has obtained a long-term loan amounting to SAR 747.98 million from Al-Rajhi Bank for a period of seven years. The loan carries a variable commission and the commission is paid over the term of the loan on a semi-annual basis. During the year 2024 the Fund made a partial repayment of loan amounting to SAR 5.1 million (2023: SAR 140 million). The loan is secured by pledging all the real estate of Derayah REIT Fund to Al-Rajhi Bank as a guarantee for the financing granted to the Fund, provided that those Title deeds are released after the full value of the loans for Al-Rajhi Bank is paid.

		Balance as of		**Finance expense**	
Type of the loan	**Nature of the loan**	**2024**	2023	**2024**	2023
Tawaruq	Long term	**602,882,834**	607,982,834	**46,843,984**	49,977,496
		602,882,834	607,982,834	**46,843,984**	49,977,496

	2024	2023
Balance at the beginning of the year	**607,982,834**	747,982,834
Drawn during the year	**-**	1,404,277,520
Repayment during the year	**(5,100,000)**	(1,544,277,520)
Balance at end of the year	**602,882,834**	607,982,834

Accrued finance expenses

	2024	2023
Balance at the beginning of the year	**-**	2,399,565
Charged during the year	**46,843,984**	49,977,496
Paid during the year	**(37,123,639)**	(52,377,061)
Balance at end of the year	**9,720,345**	**-**

18) PROFESSIONAL AND ADVISORY EXPENSES

Professional and advisory expenses include the professional fees for auditing the annual financial statements and reviewing the interim financial statements for the Fund amounted to SAR 18,000 and SAR 12,000 respectively (2023: SAR 18,000 and SAR 12,000 respectively).

19) ZAKAT

According to the zakat rules for investment Funds, investment Funds are not subject to the collection of zakat in accordance with the rules for collecting zakat from investors in investment Funds, provided that they do not carry out economic activities or investment activities that are not stipulated in the terms and conditions of those investment Funds. The Fund manager must submit an information declaration to the Authority within a period not exceeding 120 days from the end of the financial year. The Fund manager has registered the Fund and will submit the annual zakat information return to the Authority.

20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Fund’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund’s financial performance.

Financial instruments carried in these financial statements principally include Cash and cash equivalents, rent receivables, Investment carried at FVTPL, accrued management fees, Accrued finance expenses, Due to related parties, Accrued expenses and other liabilities and Long-term borrowing. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the Fund has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk
The Fund will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The Fund management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the Fund.

(i) Price risk
Price risk is the risk that the value of the Fund’s financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.
The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. The Fund Manager diversifies the investment portfolio and closely monitors the price movement of its investments in financial instruments.

Credit risk
The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to due from related parties an obligation. The Fund is exposed to credit risk for its rental receivables, due from related parties and bank balances.
Its Fund’s policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

When calculating the expected credit loss allowance for rent receivables, a provision matrix is used based on historical loss rates over the expected life of the receivable adjusted for future estimates.
The following table shows the maximum exposure to credit risk for the contents of the statement of financial position:

20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

	2024		2023	
	Exposure	**Expected credit losses**	Exposure	Expected credit losses
Cash and cash equivalents	**3,529,340**	**-**	4,831,432	-
Rent receivables	**106,016,731**	**(33,629,666)**	109,873,028	(43,105,450)

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient Funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

	2024		
	Less than 1 year	**More than 1 year**	**Total**
Management fee payable	**5,875,608**	**-**	**5,875,608**
Due to related parties	**299,000**	**-**	**299,000**
Accrued expenses and other liabilities	**8,911,642**	**-**	**8,911,642**
Accrued dividend	**7,591,486**	**-**	**7,591,486**
Accrued finance expenses	**9,720,345**		**9,720,345**
long term loans	**-**	**602,882,834**	**602,882,834**
TOTAL LIABILITIES	**32,398,081**	**602,882,834**	**635,280,915**

	2023		
	Less than 1 year	More than 1 year	Total
Management fee payable	4,427,604	-	4,427,604
Due to related parties	1,818,659	-	1,818,659
Accrued expenses and other liabilities	4,288,011	-	4,288,011
long term loans	-	607,982,834	607,982,834
TOTAL LIABILITIES	10,534,274	607,982,834	618,517,108

Interest rate risk

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

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

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

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

20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

	2024			
	Income Statement		**Statement of NAV**	
	Increase 100 points	**Reduce 100 points**	**Increase 100 points**	**Reduce 100 points**
Interest rate fluctuations	**%1**	**%1**	**%1**	**%1**
Cash-flow sensitivity (net)	**6,028,828**	**(6,028,828)**	**6,028,828**	**(6,028,828)**

	2023			
	Income Statement		Statement of NAV	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Interest rate fluctuations	%1	%1	%1	%1
Cash-flow sensitivity (net)	6,079,828	(6,079,828)	6,079,828	(6,079,828)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund’s activities either internally or externally at the Fund’s service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The table below presents the financial instruments at their fair value as at 31 December, based on the fair value hierarchy:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment property	-	-	**1,393,073,140**	**1,393,073,140**
Benefit contract	-	-	**26,868,240**	**26,868,240**
Investments carried at FVTPL		**27,199,885**	-	**27,199,885**
Total	-	**27,199,885**	**1,419,941,380**	**1,447,141,265**

As at 31 December 2024, the Fund's financial instruments include cash and cash equivalents, rentals receivable, management fees payable, financing expenses payable, amounts due to related parties, payable expenses and other liabilities, and long-term loans. Except for investments carried at fair value through profit or loss, all financial instruments are measured at amortized cost and their carrying values approximate their fair value.

20) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value estimation (Continued)

The fair value of financial instruments that are not quoted in an active market is determined using valuation methods. These valuation methods maximize the use of observable market data and rely as little as possible on the entity's own estimates. If all significant inputs required to measure the fair value of an instrument are observable, then the instrument is classified within Level 2. If one or more significant inputs are not based on observable market data, then the instrument classified within Level 3. Changes in assumptions of These inputs can affect the reported fair value of items in these financial statements and the level within which items are disclosed in the fair value hierarchy.

Financial assets at fair value through profit or loss that are classified under level 2 include investments in open-ended public Funds, whose fair values are determined based on the last recorded net asset value as of the reporting date.

There were no transfers between the different levels of the fair value hierarchy during the current or previous year.

Valuation of investment properties and benefit contract as disclosed in note 11 and 14 respectively are valued at Level 3 of the fair value hierarchy. The principal inputs include:

Discount Rates are that reflect current market assessments of uncertainty in the amount and timing of cash flows (the rate used by valuers is 8% - 10%) .

Capitalization Rates are based on the actual location, size and quality of the properties and taking into account market data on the date of the valuation (the rate used by valuers is 8.5% - 9%).

Future Rental Cash Flows are based on the actual location, type and quality of the properties and supported by the terms of any existing lease or other current contracts or external evidence such as current market rents for similar properties.

Estimated Vacancy Rates are based on current and projected future market conditions after the expiration of the term of any existing lease.

Maintenance Costs, including the investments required to maintain the functional performance of the property over its estimated useful life.

Final Value given the assumptions of maintenance costs, vacancy rates and market rents.

21) DIVIDENDS

On 25 January 2024, the Fund manager agreed to distribute profits to unitholders for the period ended 31 December 2023 amounting to 0.086 SAR per unit totalling SAR 9,207,356 to its unitholders.

On 14 July 2024, the Fund manager agreed to distribute profits to unitholders for the period ended 31 March 2024 amounting to 0.060 SAR per unit totalling SAR 6,500,000 SAR to its unitholders.

On 12 September 2024, the Fund manager agreed to distribute profits to unitholders for the period ended 30 June 2024 amounting to 0.061 SAR per unit totalling SAR 6,557,929 SAR to its unitholders.

21) DIVIDENDS (CONTINUED)

On 19 November 2024, the Fund manager agreed to distribute profits to unitholders for the period ended 30 September 2024 amounting to 0.070 SAR per unit totalling SAR 7,525,492 SAR to its unitholders.

22) SUBSEQUENT EVENTS

On 22 January 2025, the Fund manager agreed to distribute profits to unitholders for the period ended December 2024 amounting to SAR 0.086 per unit with a total amount of SAR 9,030,591 to its unit holders.

23) SEGMENT INFORMATION

The Fund invested in 23 real estate investments in the Kingdom of Saudi Arabia. As they are invested in a single industry sector and one country, no segment information has been presented.

24) LAST VALUATION DAY

The last valuation day of the Fund was 31 December 2024 (2023: the last valuation date was 31 December 2023).

25) APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Fund Manager on 19 February 2025 (corresponding to 20 Shaban 1446 H).