

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 June 2021  
together with

**Independent Auditors' Report on the review of the condensed interim financial statements**

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) AND**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
For the six-month period ended 30 June 2021

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# Independent auditor's report on review of condensed interim financial statements

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

## Introduction

We have reviewed the accompanying 30 June 2021 condensed interim financial statements of AIAhli REIT Fund (1) (the "Fund"), managed by SNB Capital Company, formerly NCB Capital Company (the "Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2021;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2021;
- the condensed statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2021;
- the condensed statement of cash flows for the six-month period ended 30 June 2021; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by Capital Market Authority and the Fund's Terms and Conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 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 information 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 30 June 2021 condensed interim financial statements of AIAhli REIT Fund (1) are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Hani Hamzah A. Bedairi

License No: 460

Al Riyadh, 8 Muharram 1443

Corresponding to: 16 August 2021



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كي بي إم جي للاستشارات المهنية شركة مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (15,000,000) ريال سعودي منفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المنفصلة والتابعة لكي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**As at 30 June 2021**  
Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		11,988	6,478
Investment at fair value through profit or loss	5	48,018	-
Receivables against operating leases		59,769	50,030
Prepayments and other current assets		2,255	2,717
<b>Total current assets</b>		<b>122,030</b>	<b>59,225</b>
<b>Non-current assets</b>			
Investment properties	6	1,834,574	1,844,178
<b>Total non-current assets</b>		<b>1,834,574</b>	<b>1,844,178</b>
<b>Total assets</b>		<b>1,956,604</b>	<b>1,903,403</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities</b>			
Due to related parties	9	23,610	21,765
Unearned rental income		34,342	25,060
Other liabilities		8,897	7,214
Advances from lessees		17,363	12,740
Provision for Zakat	8	1,235	1,159
<b>Total current liabilities</b>		<b>85,447</b>	<b>67,938</b>
<b>Non-current liabilities</b>			
Borrowings	7	558,217	514,995
<b>Total non-current liabilities</b>		<b>558,217</b>	<b>514,995</b>
<b>Total liabilities</b>		<b>643,664</b>	<b>582,933</b>
<b>Net assets (equity) attributable to the unitholders</b>		<b>1,312,940</b>	<b>1,320,470</b>
<b>Units in issue (Numbers in thousands)</b>		<b>137,500</b>	<b>137,500</b>
<b>Net assets (equity) per unit (SAR)</b>		<b>9.55</b>	<b>9.60</b>
<b>Net assets (equity) per unit fair value (SAR)</b>	11	<b>9.81</b>	<b>9.90</b>

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED)****For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2021 (Unaudited)</b>	30 June 2020 (Unaudited)
Revenue from properties	10	<b>88,518</b>	63,067
Operational expenses	10	<b>(17,878)</b>	(17,163)
Depreciation	6	<b>(12,313)</b>	(10,676)
Impairment loss on investment properties		-	(17,000)
Impairment loss on receivables against operating leases	10	<b>(2,000)</b>	(1,000)
<b>Gross profit</b>		<b>56,327</b>	17,228
Management fees		<b>(9,585)</b>	(7,969)
Professional fees		<b>(265)</b>	(253)
Board fees		<b>(50)</b>	(50)
Tadawul fees		<b>(401)</b>	(349)
Custody fees		<b>(267)</b>	(184)
Shariah fees		<b>(12)</b>	(12)
Other expenses		<b>(1,028)</b>	(1,109)
<b>Net operating profit</b>		<b>44,719</b>	7,302
Other income		<b>23</b>	121
Gain on investment at fair value through profit or loss	5	<b>18</b>	190
		<b>44,760</b>	7,613
Finance cost		<b>(7,100)</b>	(5,285)
<b>Profit before Zakat</b>		<b>37,660</b>	2,328
Zakat	8	<b>(504)</b>	(708)
<b>Profit for the year</b>		<b>37,156</b>	1,620
<b>Other comprehensive income for the year</b>		-	-
<b>Total comprehensive income for the year</b>		<b>37,156</b>	1,620

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)****ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)****For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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	<i>Note</i>	<b>30 June 2021</b> (Unaudited)	30 June 2020 (Unaudited)
<b>Net assets (equity) attributable to the unitholders at beginning of the period</b>		<b>1,320,470</b>	1,367,621
<b>Total comprehensive income for the period</b>		<b>37,156</b>	1,620
<b>Dividend declared during the period</b>	<i>12</i>	<b>(44,686)</b>	(44,686)
<b>Net assets (equity) attributable to the unitholders at end of the period</b>		<b><u>1,312,940</u></b>	<u>1,324,555</u>

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the six-month period ended 30 June 2021**  
Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2021 (Unaudited)</b>	30 June <u>2020</u> (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before Zakat		<b>37,660</b>	2,328
<i>Adjustment for non-cash items:</i>			
Depreciation	6.2	<b>12,313</b>	10,676
Impairment loss on investment properties		-	17,000
Finance cost		<b>7,100</b>	5,285
Impairment loss on receivables against operating leases		<b>2,000</b>	1,000
Gain on investment at fair value through profit or loss		<b>(18)</b>	(311)
		<b>59,055</b>	35,978
<b>Changes in:</b>			
Receivables against operating leases		<b>(11,739)</b>	(20,163)
Due from related party		-	830
Prepayments and other current assets		<b>462</b>	(4,178)
Due to related parties		<b>1,845</b>	(109)
Unearned rental income		<b>9,282</b>	(12,330)
Other liabilities		<b>(1,529)</b>	10,301
Advances from lessees		<b>4,623</b>	6,697
		<b>61,999</b>	17,026
Zakat paid		<b>(428)</b>	-
<b>Net cash generated from operating activities</b>		<b>61,571</b>	17,026
<b>Cash flows from investing activities</b>			
Additions to investment properties	6.2	<b>(2,709)</b>	(255,315)
(Addition)/ disposal of investment at fair value through profit or loss	5	<b>(48,000)</b>	35,480
<b>Net cash used in investing activities</b>		<b>(50,709)</b>	(219,835)
<b>Cash flows from financing activities</b>			
Dividend paid	12	<b>(44,686)</b>	(44,686)
Proceeds from loan		<b>42,678</b>	248,579
Finance cost paid		<b>(3,344)</b>	(5,285)
<b>Net cash (used in)/ generated from financing activities</b>		<b>(5,352)</b>	198,608
<b>Net change in cash and cash equivalents</b>		<b>5,510</b>	(4,201)
Cash and cash equivalents at the beginning of the period		<b>6,478</b>	10,175
<b>Cash and cash equivalents at end of the period</b>		<b>11,988</b>	5,974

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

## **ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals ‘000 (unless otherwise stated)

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## **1 THE FUND AND ITS ACTIVITIES**

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

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

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

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

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

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

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

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

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

## **2 BASIS OF ACCOUNTING**

### **2.1 Statement of compliance**

These condensed interim financial statements (the “Interim Financial Statements”) for the six-month period ended 30 June 2021 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Fund’s last annual financial statements as at and for the year ended 31 December 2020.



## **ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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## **2 BASIS OF ACCOUNTING (CONTINUED)**

### **2.1 Statement of compliance (continued)**

These interim financial statements do not include all the information and disclosures required in the annual financial statements in accordance with requirements of IFRS endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). However, these interim financial statements include certain disclosures to explain some significant events and transactions to understand the changes in the Fund's financial position and performance since the last annual financial statements.

### **2.2 Summary of significant accounting policies**

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the fund's annual financial statements for the year ended 31 December 2020.

### **2.3 Basis of measurement**

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

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

- Obligating listed funds to continue to use the cost model to measure property (under IAS 16) and investment property (under IAS 40) in the financial statements prepared for financial periods before the calendar year 2023.
- Allowing listed funds to choose between fair value model and revaluation model to measure property (under IAS 16) and investment property (under IAS 40) for the financial periods starting from the calendar year 2023 or thereafter.

### **2.4 Impact of coronavirus (COVID-19) outbreak**

The Fund's operations have been affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Fund is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak has caused to its operations and financial performance.

As the COVID-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The Fund Manager is continuously monitoring the situation and its impact on the Fund's operations, cash flows and financial position and has concluded that no adjustments are required to the amounts reported in these interim financial statements (30 June 2020: SR 32.2 million). Moreover, the Fund Manager believes, based on their assessment, that the Fund has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals ‘000 (unless otherwise stated)

**2 BASIS OF ACCOUNTING (CONTINUED)****2.5 Presentation and functional currency**

The presentation and functional currency of the Fund is Saudi Riyals (SAR).

**3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of standards, amendments and interpretations have been issued. The table below lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2021 and that are available for early adoption in annual periods beginning on 1 January 2021. However, the Fund has not early adopted any of these in preparing these condensed interim financial statements.

*New currently effective requirements*

Effective date	New standards or amendments
1 June 2020	COVID-19-Related Rent Concessions – Amendment to IFRS 1
1 January 2021	Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

*Forthcoming requirement*

Effective date	New standards or amendments
1 January 2022	Onerous Contracts: Cost of Fulfilling a Contract – Amendments to IAS 37
	Annual Improvements to IFRS Standards 2018–2020 – Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41
	Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
	Reference to the Conceptual Framework – Amendments to IFRS 3
1 January 2023	Classification of Liabilities as Current or Non-current – Amendments to IAS 1
	IFRS 17 Insurance Contracts
	Definition of Accounting Estimate – Amendments to IAS 8
	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

## ALAHLI REIT FUND (1)

(Managed by SNB Capital Company, formerly NCB Capital Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2021

Expressed in Saudi Riyals '000 (unless otherwise stated)

#### 4 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

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

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

- Provision for expected credit losses on receivables against operating leases
- Useful lives of investment properties
- Determining fair values of investment properties
- Impairment of non-financial assets "Value in use calculation"

#### 5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment at fair value through profit or loss comprises of the following:

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Cost	Fair value	Cost	Fair value
<i>Investment in units of a mutual fund managed by the Fund Manager (a related party)</i>				
AlAhli Saudi Riyal Trade Fund	<u>48,000</u>	<u>48,018</u>	<u>-</u>	<u>-</u>

#### 6 INVESTMENT PROPERTIES

6.1 The Fund owns the following investment properties:

<i>Name of the property</i>	<i>Nature of Property</i>	<i>Purchase Price</i>
AlAndalus Mall, Jeddah (notes 6.1.1, 6.1.2)	Mall	1,195,686
AlAndalus Mall Hotel, Jeddah (note 6.1.1)	Hotel	200,000
Salama Tower, Jeddah (note 6.1.3)	Office	255,000
Qbic Plaza, Riyadh (note 6.1.4)	Office	250,000

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

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

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

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

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

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)**

6.2 At 30 June 2021, investment properties represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation. The break-up of the cost of investment properties is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; Fixture</u>	<u>Computer &amp; Hardware</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost:</b>								
Balance at 1 January 2021	1,015,293	889,476	9,015	2,117	7,277	33	8,360	1,931,571
Additions during the period	-	-	-	-	-	-	2,709	2,709
Transfers during the period	-	6,571	-	-	-	-	(6,571)	-
Balance at 30 June 2021	<u>1,015,293</u>	<u>896,047</u>	<u>9,015</u>	<u>2,117</u>	<u>7,277</u>	<u>33</u>	<u>4,498</u>	<u>1,934,280</u>
<b>Accumulated depreciation and impairment loss</b>								
Balance at 1 January 2021	-	(80,085)	(3,186)	(668)	(3,453)	(1)	-	(87,393)
Depreciation during the period	-	(11,091)	(531)	(113)	(575)	(3)	-	(12,313)
Balance at 30 June 2021	<u>-</u>	<u>(91,176)</u>	<u>(3,717)</u>	<u>(781)</u>	<u>(4,028)</u>	<u>(4)</u>	<u>-</u>	<u>(99,706)</u>
<b>Net book value at 30 June 2021 (Unaudited)</b>	<u>1,015,293</u>	<u>804,871</u>	<u>5,298</u>	<u>1,336</u>	<u>3,249</u>	<u>29</u>	<u>4,498</u>	<u>1,834,574</u>
Net book value at 31 December 2020 (Audited)	<u>1,015,293</u>	<u>809,391</u>	<u>5,829</u>	<u>1,449</u>	<u>3,824</u>	<u>32</u>	<u>8,360</u>	<u>1,844,178</u>

AlAndalus Mall and AlAndalus Mall Hotel is pledged against the Islamic Financing Facility obtained from SNB Bank amounting to SR 650 million. The carrying values of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,336 million as at the reporting date.

In accordance with Article 8 of the Real Estate Investment Traded Funds Instructions issued by CMA, the Fund Manager assesses the Fund's real estate values by appointing two independent evaluators who determined the market values in conformity with the International Valuation Standards Council's International Valuation Standards. However, in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia, investment in real estate properties are carried at cost less accumulated depreciation which is an allowed treatment under the IFRS.

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****For the six-month period ended 30 June 2021**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)****6.3 Market values**

6.3.1 The assumptions used in determining the fair values of the investment properties are as follows:

Description	Valuation approach	Key assumptions	Market Value	
			As at 30 June 2021	As at 31 December 2020
<b>Evaluator: ValuStrat</b>				
AlAndalus Mall	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.50%	<b>1,192,000</b>	1,195,000
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	<b>149,000</b>	153,000
Salama Tower	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	<b>258,400</b>	258,400
Qbic Plaza	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.5%	<b>259,000</b>	259,000
			<b><u>1,858,400</u></b>	<b><u>1,865,400</u></b>
<b>Evaluator: Knight Frank</b>				
AlAndalus Mall	Discounted cash flows	Discount rate: 10.75% Exit yield rate: 8.75%	<b>1,241,390</b>	1,259,050
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11.25% Exit yield rate: 9.25%	<b>148,200</b>	148,600
Salama Tower	Discounted cash flows	Discount rate: 10.25% Exit yield rate: 8.25%	<b>243,100</b>	244,000
Qbic Plaza	Discounted cash flows	Discount rate: 10.00% Exit yield rate: 8%	<b>250,766</b>	253,070
			<b><u>1,883,456</u></b>	<b><u>1,904,720</u></b>

The average fair value measurements of investment properties have been categorized as level 3 fair values based on inputs to the valuation techniques used. The table shows the breakdown as at 30 June 2021 and 31 December 2020:

Average fair value measurement at 30 June 2021			
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investment properties	-	-	<b>1,870,928</b>
Average fair value measurement at 31 December 2020			
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investment properties	-	-	1,885,060

**ALAHLI REIT FUND (1)**

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**7 BORROWINGS**

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Opening balance	514,995	253,050
Financing facility utilized during the period/ year	42,678	261,028
Amortization of loan arrangement fee	544	917
Closing balance	<u>558,217</u>	<u>514,995</u>

**8 ZAKAT**

Zakat provision movement is as follows:

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Opening balance	1,159	1,500
Charge:		
- For the period/ year	504	1,159
- In respect of prior years	-	179
	504	1,338
Payments made during the period/ year	(428)	(1,679)
Closing balance	<u>1,235</u>	<u>1,159</u>

*Zakat assessment status*

The Fund has filed its zakat returns with the Zakat, Tax and Customs Authority for the years up till 2020. However, final assessments are yet to be finalized.

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

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

<b><u>Name of entity</u></b>	<b><u>Relationship</u></b>
SNB Capital Company, formerly NCB Capital Company	Fund Manager and Unitholder
Saudi National Bank (SNB)	Shareholder of the Fund Manager
AlAndalus Property Company (APC)	Unitholder & Mall Operator

*Fund management fee*

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

*Agency fee and property management fee*

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

APC also manages the AlAndalus mall for which it charges management fee from the fund.

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**9 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

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

<u>Related party</u>	<u>Nature of transactions</u>	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Audited)</u>
AlAndalus Property Company	Rent collected on behalf of the Fund	3,409	7,988
	Payments received from APC	-	10,449
	Payments made to APC	-	8,336
	Management fee charged	3,558	8,845
	Agency fees charged	287	500
SNB Capital Company, formerly NCB Capital Company	Management fees charged	9,585	17,399
	Transaction cost capitalized to investment properties	322	3,959
	Payments made by the Fund	8,498	15,189
Saudi National Bank	Service fees charged	14	26
	Payments made	14	26

The significant transactions with Key management personnel are:

<u>Key management personnel</u>	<u>Nature of transactions</u>	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Audited)</u>
Key management personnel	Board fee	50	100

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

***Due to related parties***

<u>Related party</u>	<u>30 June</u> <u>2021</u> <u>(Unaudited)</u>	<u>31 December</u> <u>2020</u> <u>(Audited)</u>
SNB Capital, formerly NCB Capital Company	22,402	20,993
AlAndalus Property Company	1,208	772
	<u>23,610</u>	<u>21,765</u>

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**10 SEGMENT REPORTING**

The Fund's activities include number of sectors as follows:

Retail Sector: This includes AlAndalus Mall.

Hospitality Sector: This includes AlAndalus Mall Hotel.

Offices Sector: This includes Salama Tower and Qbic Plaza.

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

<b><u>For the period ended</u></b>	<b>30 June 2021 (Unaudited)</b>				<b>30 June 2020 (Unaudited)</b>			
	<b><u>Mall</u></b>	<b><u>Hotel</u></b>	<b><u>Office</u></b>	<b><u>Total</u></b>	<b><u>Mall</u></b>	<b><u>Hotel</u></b>	<b><u>Office</u></b>	<b><u>Total</u></b>
Total revenue	61,491	4,521	22,506	88,518	44,398	6,601	12,068	63,067
Operational expenses	(12,571)	(5,015)	(292)	(17,878)	(10,307)	(6,603)	(253)	(17,163)
Depreciation	(5,338)	(2,548)	(4,427)	(12,313)	(5,157)	(2,869)	(2,650)	(10,676)
Impairment loss on investment properties	-	-	-	-	-	(17,000)	-	(17,000)
Impairment loss on receivables against operating leases	(2,000)	-	-	(2,000)	(1,000)	-	-	(1,000)
Gross profit	<u>41,582</u>	<u>(3,042)</u>	<u>17,787</u>	<u>56,327</u>	<u>27,934</u>	<u>(19,871)</u>	<u>9,165</u>	<u>17,228</u>

<b><u>As of</u></b>	<b>30 June 2021 (Unaudited)</b>					<b>31 December 2020 (Audited)</b>				
	<b><u>Mall</u></b>	<b><u>Hotel</u></b>	<b><u>Office</u></b>	<b><u>Fund</u></b>	<b><u>Total</u></b>	<b><u>Mall</u></b>	<b><u>Hotel</u></b>	<b><u>Office</u></b>	<b><u>Fund</u></b>	<b><u>Total</u></b>
Total assets	<u>1,243,054</u>	<u>152,239</u>	<u>508,659</u>	<u>52,652</u>	<u>1,956,604</u>	<u>1,228,815</u>	<u>157,282</u>	<u>513,024</u>	<u>4,282</u>	<u>1,903,403</u>
Total liabilities	<u>89,336</u>	<u>1,557</u>	<u>530,752</u>	<u>22,019</u>	<u>643,664</u>	<u>54,967</u>	<u>1,340</u>	<u>507,332</u>	<u>19,294</u>	<u>582,933</u>



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

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Fair value of investment properties	<b>1,870,928</b>	1,885,060
Less: Carrying value of investment properties	<b>1,834,574</b>	1,844,178
Increase in net assets (equity)	<b>36,354</b>	40,882
Units in issue in thousands (number)	<b>137,500</b>	137,500
Additional net assets (equity) per unit based on fair value	<b>0.26</b>	0.30
Net assets (equity) attributable to unitholders before fair value adjustment	<b>1,312,940</b>	1,320,470
Increase in net assets (equity)	<b>36,354</b>	40,882
Net assets (equity) attributable to unitholders after fair value adjustment	<b>1,349,294</b>	1,361,352
<b><u>Net Assets Attributable to each unit</u></b>		
Net assets (equity) per unit (SAR) before fair value adjustment	<b>9.55</b>	9.60
Increase in net assets (equity) per unit (SAR) based on fair value	<b>0.26</b>	0.30
Net assets (equity) attributable to unitholders after fair value adjustment	<b>9.81</b>	9.90

**12 DIVIDEND DISTRIBUTION**

On 9 February 2021, the Fund Board approved to pay a dividend of SR 44.686 million (i.e. SR 0.325 per unit) to the Fund's unitholders. The dividend has been paid subsequent to the announcement.

**13 FINANCIAL RISK MANAGEMENT****Financial risk factors**

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

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

**a. Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

## ALAHLI REIT FUND (1)

(Managed by SNB Capital Company, formerly NCB Capital Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 13 FINANCIAL RISK MANAGEMENT (CONTINUED)

### b. Currency risk

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

### c. Commission rate risk

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

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

### d. Credit risk

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

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

Credit risk on receivables and bank balances is limited as:

- Cash balances are held with local banks having sound credit ratings;
- Financial position of related parties is stable.

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

### e. Liquidity risk

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

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

## 14 FAIR VALUE

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

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

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**14 FAIR VALUE (CONTINUED)**

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

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

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

**Fair values of financial instruments**

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

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

- The Fund's management considers the fair value for lessees' receivables, balances of related parties, accruals and other payables approximate to their carrying values because of the short terms nature of the financial instruments.
- The Fund's management estimated the fair value for long-term debt, which are classified in level 3, to be approximate to their carrying value.
- There were no transfers between level 1, 2 or 3 during the reporting period.

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount Designated at fair value	Fair Value		
		Level 1	Level 2	Level 3
<b>30 June 2021</b>				
Financial instruments- FVTPL	<b>48,018</b>	-	<b>48,018</b>	-
<b>31 December 2020</b>				
Financial instruments- FVTPL	-	-	-	-

**15 SUBSEQUENT EVENT**

On 12 July 2021, the Fund's Board recommended the payment of interim dividend of SR 48.125 million (SR 0.35 per unit) to the Fund's unitholders. The dividend has been paid subsequent to the announcement.

**ALAHLI REIT FUND (1)**

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**16 LAST VALUATION DAY**

The last valuation day for the period was 30 June 2021.

**17 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

These condensed interim financial statements were approved by the Fund's Board on 8 Muharram 1443 (corresponding to 16 August 2021).