

ALAHLI REIT FUND (1)
(Managed by SNB Capital Company)

**Financial Statements for the Year Ended 31 December 2025 and Independent Auditor's
Report to the Unitholders**

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**For the year ended 31 December 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ALAHLI REIT FUND (1) (the "Fund") managed by SNB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in net assets (equity) attributable to the unitholders and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, as applicable to audit of financial statements of public interest entities. We have fulfilled our other ethical responsibilities in accordance with that Code. 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)
(Managed by SNB Capital Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter.
<i>Allowance for expected credit losses – receivables from operating leases</i>	
As at 31 December 2025, the gross receivables from operating leases amounted to SR 55.7 million (as at 31 December 2024: SR 79.1 million) against which SR 22.6 million (as at 31 December 2024: SR 23.2 million) expected credit losses ("ECL") allowance is maintained. The Fund uses the simplified approach to calculate ECL. Management determines and recognises expected credit losses as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgements, estimates and assumptions have been made by the management in the calculation of ECL impact, including probability of default and loss given default. We have considered this as a key audit matter as the determination of ECL involves significant management judgement and this has a material impact on the financial statements. <i>Refer to:</i> - <i>Note 4 for the accounting policy related to the ECL</i> - <i>Note 5 for the significant judgements, estimates and assumptions in determining the ECL.</i> - <i>Note 7 for the operating leases receivable disclosure.</i>	Our audit procedures performed included, among others, the following: - Evaluated the appropriateness of the Fund's accounting policy for ECL allowance in accordance with the requirements of IFRS 9. - Obtained understanding of the Fund's processes in determining the allowance for expected credit losses and evaluated the design and implementation of controls related to determination of ECL allowance. - Performed procedures to evaluate the reliability of data input used by management in the ECL model including ageing of receivables. - Assessed significant judgements, estimates and assumptions made by the management with reference to the calculation of the ECL including the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter through involvement of a subject matter expert who assessed the reasonableness of the ECL model and assumptions used by management by developing an independent ECL model. - Assessed the adequacy of the relevant disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)
(Managed by SNB Capital Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter.
<i>Assessment of net realisable value and recoverable amount ("the value") of investment properties and hotel property ("the properties") respectively</i>	
As at 31 December 2025, the Fund had investment properties carried at cost less accumulated depreciation and any impairment of SR 1.780 billion (as at 31 December 2024: SR 1.785 billion), and the Fund had a hotel property carried at cost less accumulated depreciation and any impairment of SR 145.7 million (as at 31 December 2024: SR 131.7 million) recorded under property and equipment, collectively referred to as ("the Properties"). The Fund has assessed the fair value of these properties in accordance with IFRS 13 (Fair Valuation) through engaging independent real estate valuation specialists. The fair value of these properties has been estimated using income approach for majority of the properties. The cash flows are estimated by extrapolating the current rental income based on the observable occupancy rates, expected future growth as well as other assumptions and the unobservable inputs relating to the capitalization and discount rates. We considered assessing the existence of impairment in these properties and estimating its recoverable amounts – including estimation of the fair value – as a key audit matter since that requires significant estimates and judgements that could result in material misstatements of the calculation of impairment losses (if any) and also misstatements with regard to the disclosure of the fair values of these properties in the financial statements. <i>Refer to:</i> - <i>Note 4 for the accounting policy related to the investment properties and property and equipment.</i> - <i>Note 5 for the significant judgement in determining the valuation of properties.</i> - <i>Note 9 for the investment properties disclosure and note 10 for property and equipment disclosure.</i>	Our audit procedures performed included, among others, the following: - Evaluated appropriateness of the Fund's accounting policy for the properties and the assessment for the identification of impairment indicators. - Assessed on a sample basis the accuracy of observable inputs used in valuations, such as rental income, occupancy rates and lease tenure back to lease agreements for a sample of properties. - Verified the mathematical accuracy of the valuation model used by management. - Involved our internal valuation specialist who performed the following procedures, on a sample basis: - Reviewed the methodology applied by the management specialist to assess the appropriateness of the approach used and methodology applied. - Assessed the reasonableness and appropriateness of the underlying significant assumptions and judgements, including the discount rate, capitalization rate, and performed sensitivity analysis for significant assumptions used by the management specialist. - Evaluated the competence, independence, and scope of the external valuers. - Assessed the adequacy of the relevant disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)
(Managed by SNB Capital Company) (continued)

Other Matter

The financial statements of the Fund as at, and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 Ramadan 1446H (corresponding to 24 March 2025).

Other Information Included in the Fund's 2025 Annual Report

Other information consists of the information included in the Fund's 2025 annual report, other than the financial statements and our auditor's report thereon. The Fund Manager is responsible for the other information in its annual report. The Fund's 2025 annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Real Estate Investment Funds Regulations issued by the Board of 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 Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)
(Managed by SNB Capital Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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



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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of ALAHLI REIT FUND (1)
(Managed by SNB Capital Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)

Riyadh: 12 Shawwal 1447H
(31 March 2026)



ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

STATEMENT OF FINANCIAL POSITION**As at 31 December 2025**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Notes</i>	31 December 2025	31 December 2024
Assets			
Current assets			
Cash and cash equivalents	6	19,902	10,585
Operating lease receivables	7	33,034	55,842
Prepayments and other receivables	8	9,171	9,979
Total current assets		62,107	76,406
Non-current assets			
Investment properties	9	1,780,608	1,784,937
Property and equipment	10	145,695	131,666
Total non-current assets		1,926,303	1,916,603
Total assets		1,988,410	1,993,009
Liabilities			
Current liabilities			
Due to related parties	15	26,176	27,461
Unearned rentals	11	42,381	37,450
Other liabilities	12	19,879	11,553
Security deposits		4,646	6,117
Provision for Zakat	14	345	345
Total current liabilities		93,427	82,926
Non-current liabilities			
Borrowings	13	742,668	714,280
Total non-current liabilities		742,668	714,280
Total liabilities		836,095	797,206
Net assets (equity) attributable to the unitholders		1,152,315	1,195,803
Units in issue (Numbers in thousands)		137,500	137,500
Net assets (equity) per unit (SR)		8.38	8.70
Net assets (equity) per unit at fair value (SR)	21	10.20	10.05



ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2025**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Notes</i>	2025	2024
Rental revenue from investment properties	17	181,317	168,462
Revenue from hotel operations	17	15,398	19,185
Rebate income		15	28
Gain on investments at fair value through profit or loss		152	207
Total revenue		196,882	187,882
Expenses			
Operational expenses	18	(61,538)	(56,064)
Depreciation	9 & 10	(28,403)	(26,221)
Allowance for expected credit loss on receivables from operating leases	7	(8,677)	(1,312)
Impairment loss on property and equipment	10	(3,000)	(8,000)
Management fees	15	(21,611)	(20,997)
Professional fees	19	(501)	(501)
Board fees		(100)	(100)
Tadawul fees		(808)	(805)
Custody fees		(451)	(500)
Shariah fees		(24)	(24)
Other operating expenses		(3,579)	(1,606)
Total operating expenses		(128,692)	(116,130)
Operating profit before finance cost and zakat		68,190	71,752
Finance cost	20	(49,803)	(45,074)
Profit before Zakat		18,387	26,678
Zakat	14	-	-
Profit for the year		18,387	26,678
Other comprehensive income for the year		-	-
Increase in net assets attributable to unitholders		18,387	26,678
Weighted average units outstanding (Numbers in thousands)		137,500	137,500
Earnings per unit (basic and diluted)		0.13	0.19

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**ATTRIBUTABLE TO THE UNITHOLDERS****For the year ended 31 December 2025**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Notes</i>	31 December 2025	31 December 2024
Net assets (equity) attributable to the unitholders at beginning of the year		1,195,803	1,237,875
Increase in net assets attributable to unitholders		18,387	26,678
Dividend declared during the year	<i>23</i>	(61,875)	(68,750)
Net assets (equity) attributable to the unitholders at end of the year		<u>1,152,315</u>	<u>1,195,803</u>



ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

STATEMENT OF CASH FLOWS**For the year ended 31 December 2025**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<u>Notes</u>	31 December 2025	31 December 2024
Cash flows from operating activities			
Profit before Zakat		18,387	26,678
<i>Adjustment for non-cash items:</i>			
Depreciation on investment properties	9	23,970	21,809
Depreciation on property and equipment	10	4,433	4,412
Finance cost	20	49,803	45,074
Impairment loss on property and equipment	10	3,000	8,000
Allowance for expected credit loss on receivables from operating leases	7	8,677	1,312
Gain on investment at fair value through profit or loss		(152)	-
		108,118	107,285
Changes in:			
Receivables from operating leases		14,131	8,401
Prepayments and other receivables		808	902
Due to related parties		(1,285)	(3,768)
Unearned rentals		4,931	(10,659)
Other liabilities		8,326	3,985
Security deposits		(1,471)	(359)
		133,558	105,787
Zakat paid	14	-	-
Net cash generated from operating activities		133,558	105,787
Cash flows from investing activities			
Additions to investment properties	9	(19,641)	(36,018)
Additions to property and equipment	10	(21,462)	(5,406)
Addition of investment at fair value through profit or loss		(28,000)	-
Proceeds from disposal of investment at fair value through profit or loss		28,152	-
Net cash used in investing activities		(40,951)	(41,424)
Cash flows from financing activities			
Dividend paid	23	(61,875)	(68,750)
Proceeds from loan	13	27,000	53,595
Interest paid		(48,415)	(50,772)
Net cash used in financing activities		(83,290)	(65,927)
Net increase / (decrease) in cash and cash equivalents		9,317	(1,564)
Cash and cash equivalents at the beginning of the year		10,585	12,149
Cash and cash equivalents at end of the year		19,902	10,585

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

Expressed in Saudi Riyals '000 (unless otherwise stated)

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

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

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

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

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

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

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

Expressed in Saudi Riyals '000 (unless otherwise stated)

2 BASIS OF ACCOUNTING (continued)

2.2 Basis of measurement

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

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

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

2.3 Functional and presentation currency

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New Standards and Amendments Effective

The following new accounting standards or amendments are effective for annual periods beginning on 1 January 2025, however, the adoption of these standards or amendments had no significant financial impact in these financial statements and is not expected to have a significant effect in future periods:

- Lack of exchangeability – Amendments to IAS 21

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

Expressed in Saudi Riyals '000 (unless otherwise stated)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)**New Standards and amendments issued but not yet effective**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Fund intends to adopt these standards, where applicable, when they become effective and currently assessing the implication on Fund's financial statements on adoption.

Standards / Amendments	Description	Effective Date
Classification and Measurement of Financial Instruments- Amendment to IFRS 9 and IFRS 7	These amendments: - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	1 January 2026
IFRS 18 — Presentation and Disclosure in Financial Statements	The new standard on presentation and disclosure in financial statements, require more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	1 January 2027
IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'	IFRS 19 specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS. A subsidiary may elect to apply this Standard in its financial statements if it does not have public accountability and it has an ultimate or intermediate parent that produces financial statements available for public use that comply with IFRS.	1 January 2027

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

Expressed in Saudi Riyals '000 (unless otherwise stated)

4 MATERIAL ACCOUNTING POLICY INFORMATION

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

Financial instruments

Recognition and initial measurement

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

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

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss (FVTPL).

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

- a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

Expressed in Saudi Riyals '000 (unless otherwise stated)

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets (continued)

A financial asset shall be measured at FVTPL unless it is measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive the contractual cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
 - (a) the Fund has transferred substantially all the risks and rewards of the asset, or
 - (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

Impairment of financial assets

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

The Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Expected credit loss assessment for operating lease receivables

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against financial assets measured at amortised cost.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): The likelihood of a default over a particular time horizon.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)***Financial assets (continued)******Expected credit loss assessment for operating lease receivables (continued)***

Exposure At Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Model and framework

The Fund uses a point-in-time (PIT) probability of default (PD) model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

Definition of default

In the above context, the Fund considers default when:

- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- When the customer is past due on any material credit obligation to the Fund. The customer is more than 90 days past due on any material credit obligation to the Fund.

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

Specific provision

Specific provision is recognized on customer to customer basis at every reporting date. The Fund recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

Expressed in Saudi Riyals '000 (unless otherwise stated)

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets (continued)

Financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables, related parties and borrowings.

Derecognition

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

Modifications of financial assets and financial liabilities

Financial assets

If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability

The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The Fund has adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) from 1 January 2024. The amendments apply retrospectively. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period.

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment properties

Investment properties are land, building and equipment and furnishings physically attached and integral to a building held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

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

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

Categories	<u>Years</u>
Building	20 - 40
Furniture and fixtures	5 - 10
Computer and hardware	3 - 10
Office equipment	4 - 10

Property and equipment

Items of property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses, if any. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss and other comprehensive income.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated lives of property and equipment are as follows:

<u>Asset</u>	<u>Years</u>
Buildings	20-40
Furniture & fixture	5-10
Computer and hardware	3-10
Office equipment	4-10

The useful life, estimated useful lives and residual values (if needed) and depreciation method are reviewed at each reporting date and adjusted if appropriate.

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)***Impairment of non-financial assets***

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

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Provisions

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

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

Revenue recognition

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

Rental revenue from lease of investment properties***As a lessor:***

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

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

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(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition

Revenue from hotel operations:

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

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

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

Zakat

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

Net assets (equity) per unit

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

Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets (equity). They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets (equity) in the event of the Fund's liquidation.

Units are classified as equity as it meets all of the following conditions:

- it entitles the holder to a pro rata share of the Fund's net assets (equity) in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and;
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

Management fees

Fund management fees are recognised on accrual basis and charged to the statement of comprehensive income. Fund management fee is charged at agreed amount with the Fund Manager and as stated in the terms and conditions of the Fund.

Fair value of financial instruments

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025 (continued)

Expressed in Saudi Riyals '000 (unless otherwise stated)

4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value of financial instruments (continued)

The fair value for financial instruments traded in active markets at the reporting date is based on their closing price on the reporting date.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in financial statements at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each period. The Fund determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Fund analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Fund's accounting policies. For this analysis, the Fund verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Fund also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Fund has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Cash at bank

For the purposes of the statement of cash flows, cash at bank comprise deposits held with banks, all of which are available for use by the fund unless otherwise stated and have maturities of three months or less from the date of acquisition, which are subject to insignificant risk of changes in values.

5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements. Judgement has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are described below:

Provision for expected credit losses on receivables from operating leases

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

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

Useful lives of investment properties and property and equipment

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

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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5 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)*Measurement of fair values for investment properties*

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

Management regularly reviewed significant unobservable inputs in fair values. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Accounting Standards.

6 CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Cash at banks - current account	19,902	10,585
	<u>19,902</u>	<u>10,585</u>

This comprises balances held with local banks, in current accounts.

7 OPERATING LEASE RECEIVABLES

Operating lease receivables comprise of the following:

	31 December 2025	31 December 2024
Operating lease receivables	55,713	79,074
Less: Allowance for expected credit loss on receivables from operating leases	(22,679)	(23,232)
Operating lease receivables – net	<u>33,034</u>	<u>55,842</u>

The movement in allowance for expected credit loss on receivables from operating leases is as follows:

	31 December 2025	31 December 2024
Opening balance	23,232	23,480
Charge for the year	8,677	1,312
Written off during the year	(9,230)	(1,560)
Closing balance	<u>22,679</u>	<u>23,232</u>

8 PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2025	31 December 2024
Accrued income	3,607	6,525
Prepaid expenses	1,744	2,375
Advance to the hotel operator	1,500	-
Value added tax	1,405	795
Advances to suppliers	382	-
Advances to employees	316	-
Others	217	284
	<u>9,171</u>	<u>9,979</u>

ALAHLI REIT FUND (1)

(Managed by SNB Capital Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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9 INVESTMENT PROPERTIES

The Fund owns the following investment properties:

<u>Name of the property</u>	<u>Nature of property</u>	<u>Classification</u>	<u>Purchase price</u>
AlAndalus Mall, Jeddah (i)	Mall	Investment property	1,195,686
Salama Tower, Jeddah (ii)	Office	Investment property	255,000
Qbic Plaza, Riyadh (iii)	Office	Investment property	250,000

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

AlAndalus Mall together with AlAndalus Mall Hotel are pledged against the Islamic Financing Facility obtained from SNB Bank amounting to SR 760 million. The carrying values of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,454 million as at the reporting date.

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

- ii. The Fund acquired Salama Tower on 4 August 2019 against cash consideration of SR 255 million. Currently, Salama Tower is being managed by a third party for the period starting from 19 February 2025 to 18 February 2026 and it can be renewed automatically for an additional year. In previous years, Salama Tower was leased to the seller for a net lease amount of SR 23.1 million per annum for a period of 5 years. The seller was allowed to sub-lease the property to multi-tenants during this period.
- iii. 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. The lease agreement has been extended for a period of 5 years effective from 10 December 2025.

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)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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9 INVESTMENT PROPERTIES (continued)

At 31 December 2025, investment properties represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation and impairment. The break-up of the cost of investment properties is as follows:

	Land	Buildings	Furniture & fixture	Computer & hardware	Office equipment	Motor vehicles	Construction in progress*	Total
<u>Cost:</u>								
Balance at 1 January 2025	983,523	919,919	238	100	2,800	119	2,460	1,909,159
Additions during the year	-	1,204	-	-	-	-	18,437	19,641
Balance at 31 December 2025	983,523	921,123	238	100	2,800	119	20,897	1,928,800
<u>Accumulated depreciation</u>								
Balance at 1 January 2025	-	(121,501)	(238)	(97)	(2,338)	(48)	-	(124,222)
Depreciation during the year	-	(23,757)	-	(3)	(188)	(22)	-	(23,970)
Balance at 31 December 2025	-	(145,258)	(238)	(100)	(2,526)	(70)	-	(148,192)
Carrying amount at								
31 December 2025	983,523	775,865	-	-	274	49	20,897	1,780,608

* The project under construction represents the expansion works for Al-Andalus Mall.

The carrying amounts of the investment properties are:

	31 December 2025	31 December 2024
Al-Andalus Mall	1,320,746	1,316,082
Salama Tower	227,647	232,901
Qbic Plaza	232,215	235,954
	1,780,608	1,784,937

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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9 INVESTMENT PROPERTIES (continued)

	Land	Buildings	Furniture & fixture	Computer & hardware	Office equipment	Motor vehicles	Construction in progress	Total
<u>Cost:</u>								
Balance at 1 January 2024	983,523	756,143	238	100	2,800	119	124,079	1,867,002
Additions during the year	-	-	-	-	-	-	42,157	42,157
Transfers during the year	-	163,776	-	-	-	-	(163,776)	-
Balance at 31 December 2024	983,523	919,919	238	100	2,800	119	2,460	1,909,159
<u>Accumulated depreciation</u>								
Balance at 1 January 2024	-	(99,920)	(238)	(81)	(2,150)	(24)	-	(102,413)
Depreciation during the year	-	(21,581)	-	(16)	(188)	(24)	-	(21,809)
Balance at 31 December 2024	-	(121,501)	(238)	(97)	(2,338)	(48)	-	(124,222)
Carrying amount at 31 December 2024	983,523	798,418	-	3	462	71	2,460	1,784,937

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

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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9 INVESTMENT PROPERTIES (continued)**Market values**

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

Description	Valuation approach	Key assumptions	Market value	
			31 December 2025	31 December 2024
Evaluator: ESNAD				
Al-Andalus Mall	Discounted cash flows	Discount rate: 10% (2024: 10%) Exit yield rate: 8% (2024: 8%) Occupancy rate: 99.02% (2024: 86%)	1,453,348	1,442,186
Salama Tower	Discounted cash flows	Discount rate: 10.33% (2024:10%) Exit yield rate: 8.5% (2024:8.5%)	262,237	279,679
Qbic Plaza	Discounted cash flows	Discount rate: 10.33% (2024: 10%) Exit yield rate: 8.5% (2024: 8%)	340,767	270,735
			2,056,352	1,992,600
Evaluator: QIAM				
Al-Andalus Mall	Discounted cash flows	Discount rate: 9.5% (2024: 9.5%) Exit yield rate: 8% (2024: 8%) Occupancy rate: 89% (2024: 88%)	1,400,064	1,385,349
Salama Tower	Discounted cash flows	Discount rate: 10.4% (2024 : 9%) Exit yield rate: 7.5% (2024 : 8%)	277,292	282,552
Qbic Plaza	Discounted cash flows	Discount rate: 10.4% (2024 : 9%) Exit yield rate: 8% (2024 : 7.5%)	328,896	280,813
			2,006,252	1,948,714

*Fair valuations of investment properties as at 31 December 2025 were performed by ESNAD and QIAM (31 December 2024: ESNAD and QIAM)

The above valuers are qualified and adhere to the Saudi Authority of Accredited Valuer (TAQEEM). The valuers have appropriate qualifications and experience in the valuation of properties at the relevant locations. The details of independent valuers as follows:

- 1- ESNAD: TAQEEM record No. 1210000934
- 2- QIAM: TAQEEM record No. 1210000052

The average fair value measurements of investment properties have been categorized as level 3 fair values based on inputs to the valuation techniques used (as disclosed above). The table shows the breakdown as at 31 December 2025 and 31 December 2024:

Average fair value measurement at 31 December 2025			
	Level 1	Level 2	Level 3
Investment properties	-	-	2,031,301
Average fair value measurement at 31 December 2024			
	Level 1	Level 2	Level 3
Investment properties	-	-	1,970,657

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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10 PROPERTY AND EQUIPMENT

At 31 December 2025, property and equipment represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation and impairment. The break-up of the cost of hotel property is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Furniture & fixture</u>	<u>Computer & hardware</u>	<u>Office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost:</u>							
Balance at 1 January 2025	31,770	147,349	8,777	2,016	5,175	6,507	201,594
Additions during the year	-	-	-	-	-	21,462	21,462
Balance at 31 December 2025	<u>31,770</u>	<u>147,349</u>	<u>8,777</u>	<u>2,016</u>	<u>5,175</u>	<u>27,969</u>	<u>223,056</u>
<u>Accumulated depreciation</u>							
Balance at 1 January 2025	-	(50,140)	(6,654)	(1,465)	(3,669)	-	(61,928)
Depreciation during the year	-	(3,132)	(803)	(206)	(292)	-	(4,433)
	-	(53,272)	(7,457)	(1,671)	(3,961)	-	(66,361)
<u>Accumulated impairment</u>							
Balance at 1 January 2025	-	(8,000)	-	-	-	-	(8,000)
Impairment during the year	-	(3,000)	-	-	-	-	(3,000)
	-	(11,000)	-	-	-	-	(11,000)
Balance at 31 December 2025	<u>-</u>	<u>(64,272)</u>	<u>(7,457)</u>	<u>(1,671)</u>	<u>(3,961)</u>	<u>-</u>	<u>(77,361)</u>
Carrying amount at 31 December 2025	<u>31,770</u>	<u>83,077</u>	<u>1,320</u>	<u>345</u>	<u>1,214</u>	<u>27,969</u>	<u>145,695</u>

The Fund tested Al-Andalus Mall Hotel for impairment and recognized an impairment loss of SR 3 million (2024: SR 8 million) with respect to property and equipment. The key assumption used is discount rate, occupancy rate, and yield rate in determining the fair value and value in use using the discounted cash flow method technique.

The Fund has pledged Al-Andalus Mall Hotel against Islamic financing facility that is obtained from Local Bank (note 13). The carrying values of Al Andalus Mall Hotel aggregates to SR 145.7 million as at the reporting date (31 December 2024: SR 131.7 million).

Description	Valuation approach	Key assumptions
Al-Andalus Mall Hotel	Discounted cash flows	Discount rate: 10% (2024: 9%) Exit yield rate: 8% (2024: 7%) Occupancy rate: 65% (2024: 65%)

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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10 PROPERTY AND EQUIPMENT (continued)

	Land	Buildings	Furniture & fixture	Computer & hardware	Office equipment	Construction in progress	Total
<u>Cost:</u>							
Balance at 1 January 2024	31,770	147,349	8,777	2,016	4,477	1,799	196,188
Additions during the year	-	-	-	-	698	4,708	5,406
Transfers during the year	31,770	147,349	8,777	2,016	5,175	6,507	201,594
Balance at 31 December 2024							
<u>Accumulated depreciation</u>							
Balance at 1 January 2024	-	(47,008)	(5,829)	(1,258)	(3,421)	-	(57,516)
Depreciation during the year	-	(3,132)	(825)	(207)	(248)	-	(4,412)
	-	(50,140)	(6,654)	(1,465)	(3,669)	-	(61,928)
<u>Accumulated impairment</u>							
Balance at 1 January 2024	-	-	-	-	-	-	-
Impairment during the year	-	(8,000)	-	-	-	-	(8,000)
	-	(8,000)	-	-	-	-	(8,000)
Balance at 31 December 2024	-	(58,140)	(6,654)	(1,465)	(3,669)	-	(69,928)
Carrying amount at 31 December 2024	31,770	89,209	2,123	551	1,506	6,507	131,666

ALAHLI REIT FUND (1)
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2025 (continued)
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11 UNEARNED RENTALS

	31 December 2025	31 December 2024
Opening balance	37,450	41,584
Invoices issued during the year	201,585	183,513
Revenue recognized during the year	(196,654)	(187,647)
Closing balance	42,381	37,450

12 OTHER LIABILITIES

	31 December 2025	31 December 2024
Accrued expenses and others	12,347	6,920
Value added tax payable	2,925	777
Finance cost payable	3,273	2,940
Trade payable	1,334	916
	19,879	11,553

13 BORROWINGS

	31 December 2025	31 December 2024
Opening balance	714,280	660,005
Financing facility utilized during the year	27,294	53,595
Amortization of loan arrangement fee	1,094	680
Closing balance	742,668	714,280

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

On 1 August 2019, the Fund utilized SR 255 million as the first tranche from the Islamic financing facility. During the year 2020, the Fund utilized SAR 263 million as the Second tranche from the Islamic financing facility. During the year 2021, the Fund utilized further SAR 43 million. During the year 2022, the Fund utilized further SR 30 million. During the year 2023, the Fund utilized further SR 71 million. On 5 October 2023, the Fund signed another amendment of its agreement of Islamic financing facility wherein facility amount has been increased to SR 760 million instead of SR 650 million. During the year 2024, the Fund utilized further SR 54 million and during the year 2025, the Fund utilized SR 27.29 million. The unutilized balance as at 31 December 2025 is SR 17million (31 December 2024: SR 44 million).

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

On 6 April 2023, the Fund signed an amendment of its agreement of Islamic financing facility changing the financing facility type to Murabaha from Ijarah. The Islamic financing facility carries commission rate of SAIBOR plus margin per annum and the term has been revised and now the whole outstanding balance will be due in July 2026. In December 2025, the tenure of the financing was revised and the outstanding financing balance became payable in July 2029. Accordingly, the whole balance is disclosed as non-current.

The facility is subject to interest rates based on SAIBOR plus an agreed commission rate of 1.25% per annum. The above facility agreements contain covenants, which among other things, require certain financial ratios to be maintained at certain thresholds. The Fund monitors the compliance of the loan covenants and reconciles with the lending bank on a timely basis. A future breach of any of these covenants may require the Fund to repay the related facility earlier than indicated above.

ALAHLI REIT FUND (1)
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NOTES TO THE FINANCIAL STATEMENTS
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14 ZAKAT

Zakat provision movement is as follows:

	<u>2025</u>	<u>2024</u>
Opening balance	345	345
Payments made during the year	-	-
Closing balance	<u>345</u>	<u>345</u>

Zakat assessment status

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

15 RELATED PARTY TRANSACTIONS AND BALANCES

The Fund’s ultimate controlling company is the Al Andalus Property Company (APC).

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

<u>Name of entity</u>	<u>Relationship</u>
SNB Capital Company	Fund Manager
Saudi National Bank (SNB)	Parent of the Fund Manager
Al Andalus Property Company	Substantial Unitholder

Fund management fee

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

Agency fee and property management fee

The Fund via a master transfer agreement dated 25 December 2017 appointed APC as the “Property Agent”. Under the agreement, APC is appointed to exercise, perform and discharge all rights and obligations as an agent of AlAndalus Mall and AlAndalus Mall Hotel. The Fund pays a fixed amount of SR 575,000 per annum to APC for the aforementioned agency services.

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

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

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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15 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Nature of transactions</u>	<u>2025</u>	<u>2024</u>
AlAndalus Property Company	Rent collected on behalf of the Fund	5,968	8,781
	Transfer of cash to the related party	(18,767)	(51,233)
	Payments made on behalf of Hotel	(995)	(1,817)
	Parking & development fees	-	37,913
	Management fee charged	5,735	14,767
SNB Capital Company	Fund Manager's fee	21,611	20,997
	Payments made by the Fund	(21,096)	(20,854)

The significant transactions with key management personnel are:

<u>Key management personnel</u>	<u>Nature of transaction</u>	<u>2025</u>	<u>2024</u>
Key management personnel	Board fee	100	100

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

Due to related parties

<u>Related party</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
SNB Capital Company	21,611	20,997
AlAndalus Property Company	4,411	6,307
SNB	154	157
	<u>26,176</u>	<u>27,461</u>

16 OPERATING SEGMENT

The Fund has four reportable segments, as described below, which are the Fund's strategic business segments. These strategic business segments offer different services, and are managed separately because they require different management and marketing strategies.

For each of the strategic business units, the Fund Manager reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Fund's reportable segments:

Retail Sector	This comprises of Al-Andalus Mall.
Hospitality Sector	This comprises of Al-Andalus Mall Hotel.
Offices Sector	This comprises of Salama Tower and QBIC Plaza.
Fund's operations	This represents the Fund's administrative activities.

The information related to each reportable segment is as follows:

Net sector profit before zakat is used to measure performance as the Fund Manager believes that this information is the most relevant in assessing the results of the relevant sector compared to other companies operating in the same industry.

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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16 OPERATING SEGMENT (continued)

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

<u>For the year ended</u>	<u>31 December 2025</u>					<u>31 December 2024</u>				
	<u>Retail</u>	<u>Hospitality</u>	<u>Offices</u>	<u>Fund Operations</u>	<u>Total</u>	<u>Retail</u>	<u>Hospitality</u>	<u>Offices</u>	<u>Fund Operations</u>	<u>Total</u>
Revenue	137,629	15,398	43,688	-	196,715	125,035	19,185	43,427	-	187,647
Operational expenses	(38,703)	(17,673)	(4,860)	(302)	(61,538)	(34,750)	(18,382)	(2,792)	(140)	(56,064)
Depreciation	(14,975)	(4,434)	(8,994)	-	(28,403)	(12,816)	(4,412)	(8,993)	-	(26,221)
Impairment loss on property and equipment	-	(3,000)	-	-	(3,000)	-	(8,000)	-	-	(8,000)
Impairment loss on receivables against operating leases	(8,677)	-	-	-	(8,677)	(850)	(462)	-	-	(1,312)
Net profit / (loss)	58,358	(10,320)	(5,679)	(23,972)	18,387	69,151	(12,598)	(6,856)	(23,019)	26,678

<u>As at</u>	<u>31 December 2025</u>					<u>31 December 2024</u>				
	<u>Retail</u>	<u>Hospitality</u>	<u>Offices</u>	<u>Fund Operations</u>	<u>Total</u>	<u>Retail</u>	<u>Hospitality</u>	<u>Offices</u>	<u>Fund Operations</u>	<u>Total</u>
Total assets	1,364,200	154,890	465,640	3,680	1,988,410	1,361,623	141,341	477,966	5,554	1,986,484
Total liabilities	269,786	16,880	526,546	22,883	836,095	247,135	3,709	517,331	22,506	790,681

The Fund's revenue are generated from contracts with customers by providing commercial unit rental services and hospitality services. Revenue over commercial units rental services is recognized over time, while revenue from hospitality services is transferred at a point in time.

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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17 REVENUE FROM PROPERTIES

	31 December 2025	31 December 2024
Rental revenue on investment properties – over time	181,317	168,462
Revenue from hospitality services – over time	13,139	16,250
Sales of goods – food, beverage and others – at point in time	2,259	2,935
	196,715	187,647

18 OPERATIONAL EXPENSES

	31 December 2025	31 December 2024
Leasing and management fee	18,177	9,148
Operation and maintenance	12,322	13,932
Utilities	8,880	2,841
Property management charges	5,329	12,121
Marketing	3,023	3,046
Insurance	1,372	1,812
Other operating costs	12,435	13,164
	61,538	56,064

19 PROFESSIONAL FEES

Professional fee includes auditor's remuneration for the statutory audit of the Fund's financial statements for the year ended 31 December 2025 amounting to SR 0.2 million (2024: SR 0.2 million). Auditor's remuneration for the review of the Fund's interim financial statements for half year ended 30 June 2025 amounted to SR 0.05 million (2024: SR 0.05 million).

20 FINANCE COST

	31 December 2025	31 December 2024
Finance cost	49,803	51,214
Less: Finance cost capitalized during the year	-	(6,140)
Finance cost charged to profit or loss	49,803	45,074

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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

	Notes	31 December 2025	31 December 2024
Fair value of investment properties	9	2,031,302	1,970,657
Less: Carrying value of investment properties	9	(1,780,608)	(1,784,937)
Increase in net assets (equity)		250,694	185,720
Units in issue in thousands (number)		137,500	137,500
Additional net assets (equity) per unit based on fair value		1.82	1.35
Net assets (equity) attributable to unitholders before fair value adjustment		1,152,315	1,195,803
Increase in net assets (equity)		250,694	185,720
Net assets (equity) attributable to unitholders after fair value adjustment		1,403,009	1,381,523

Net Assets Attributable to each unit

Net assets (equity) per unit (SR) before fair value adjustment	8.38	8.70
Increase in net assets (equity) per unit (SR) based on fair value	1.82	1.35
Net assets (equity) attributable to unitholders after fair value adjustment	10.20	10.05

22 OPERATING LEASES**As a lessor**

The Fund leases out its investment property. The Fund has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income recognised by the Fund during 2025 was SR 181.3 million (2024: SR 168.46 million).

23 DIVIDEND DISTRIBUTION

31 December 2025

On 25 March 2025, the Fund's Board approved the distribution of dividends for the period from 1 July 2024 to 31 December 2024 amounted to SR 34,375,000 at SR 0.25 per unit. The same was paid on 6 April 2025.

On 25 August 2025, the Fund's Board approved the distribution of dividend for the period from 1 January 2025 to 30 June 2025 amounted to SR 27,500,000 at SR 0.20 per unit. The same was paid on 7 September 2025.

31 December 2024

On 18 March 2024 and 25 August 2024, the Fund's Board approved the distribution of dividend for the year ended 31 December 2023 and period ended 30 June 2024 amounted to SR 0.250 per unit and 0.250 per unit respectively. The same was paid on 25 March 2024 and 11 September 2024 respectively.

24 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

a. Market risk

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

Currency risk

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

Commission rate risk

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

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

Interest rate risk:

The Fund's interest rate risks arise mainly from its interest-bearing Islamic financing facility, which are at variable rate.

ALAHLI REIT FUND (1)

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NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025 (continued)**

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24 FINANCIAL RISK MANAGEMENT (continued)**a. Market risk (continued)****Cash flow sensitivity analysis for variable-rate borrowings:**

A reasonably possible change of 100 basis points in the interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant:

	Balance as at 31 December 2025			
	Statement of profit or loss and other comprehensive income		Statement of financial position	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Islamic financing facility cost	(7,426)	7,426	(7,426)	7,426

	Balance as at 31 December 2024			
	Statement of profit or loss and other comprehensive income		Statement of financial position	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Islamic financing facility cost	(7,142)	7,142	(7,142)	7,142

b. Credit risk

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

	31 December 2025	31 December 2024
Receivables from operating leases, gross	55,713	79,074
Cash and cash equivalents	19,902	10,585
Other receivables	5,266	284
	80,881	89,943

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

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

- Cash balances are held with local banks having low credit risk as these have high credit ratings;
- Financial position of lessees is stable.

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

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24 FINANCIAL RISK MANAGEMENT (continued)

b. Credit risk (continued)

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

	Weighted average loss rate (%)	Gross carrying amount	Impairment allowance
<u>31 December 2025</u>			
0-30 Days	10%	9,236	924
31 - 60 Days	10%	4,132	413
61 - 90 Days	11%	1,370	151
More than 90 Days	52%	40,975	21,191
Total		55,713	22,679
	Weighted average loss rate (%)	Gross carrying amount	Impairment allowance
<u>31 December 2024</u>			
0-30 Days	16%	17,413	2,572
31 - 60 Days	23%	8,259	1,874
61 - 90 Days	26%	1,728	451
More than 90 Days	35%	51,674	18,335
Total		79,074	23,232

c. Liquidity risk

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

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

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

At 31 December 2025	Carrying Amount	Less than 1 year	1 year to 2 years	2 years to 5 years	Total
Borrowings	742,668	41,250	41,250	791,250	873,750
Due to related parties	26,176	26,176	-	-	26,176
Other liabilities	19,879	19,879	-	-	19,879
	788,723	87,305	41,250	791,250	919,805

ALAHLI REIT FUND (1)
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24 FINANCIAL RISK MANAGEMENT (continued)

c. Liquidity risk (continued)

At 31 December 2024	Carrying Amount	Less than 1 year	1 year to 2 years	2 years to 5 years	Total
Borrowings	714,280	52,260	742,130	-	794,390
Due to related parties	27,461	27,461	-	-	27,461
Other liabilities	11,553	11,553	-	-	11,553
	<u>753,294</u>	<u>91,274</u>	<u>742,130</u>	<u>-</u>	<u>833,404</u>

As at the reporting date, the current liabilities of the Fund exceeded its current assets by SR 31.320 million (2024: SR 7.904 million). Of the total current liabilities, non-financial liabilities related to unearned rentals amounted to SR 42.381 million (2024 37.450 million). And of total current assets, non-financial assets related to prepayments and other receivables amounted to SR 9.171 million (2024: SR 8.595 million). After excluding the non-financial liabilities and assets from the working capital, the Fund's net current financial assets position becomes 1.890 million (2024: SR 20.951 million). Fund Manager assessed that the Fund has sufficient financial resources to meet its contractual obligations as and when they become due. Accordingly, these financial statements are prepared on a going concern basis.

25 FAIR VALUE

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

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

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

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

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

Fair values of financial instruments

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

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

- The Fund's financial assets consist of cash and cash equivalents, receivables from operating leases, and certain other receivables. The Fund's financial liabilities consist of borrowings, due to related parties and other liabilities.
- The Fund's management considers the fair value for all these financial assets and liabilities to be approximately equal to their carrying values because of the nature of these financial instruments.
- There were no transfers between level 1, 2 or 3 during the reporting period.

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

26 CAPITAL MANAGEMENT

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

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

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

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

	31 December 2025	31 December 2024
Total liabilities	836,095	790,681
Less: cash and cash equivalents	(19,902)	(10,585)
Net debt	816,193	780,096
Equity	1,152,315	1,195,803
Net debt to equity ratio at 31 December	0.708	0.652

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

27 LAST VALUATION DAY

The last valuation day for the year was 31 December 2025.

28 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation of the current period presentation.

29 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund's Board on 11 Shawwal 1447H (corresponding to 30 March 2026).