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

CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)
For the period ended from 25 December 2017 to 30 June 2018
with
REVIEW REPORT TO THE UNITHOLDERS

KPMG

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Independent Auditors' Report on Review of Condensed Interim Financial Statements

The Unitholders
ALAHLI REIT FUND (1)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial statements of AlAhli REIT Fund (1) (the "Fund") managed by NCB Capital Company (the "Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2018;
- the condensed statement of comprehensive income for the period from 25 December 2017 to 30 June 2018;
- the condensed statement of changes in net assets attributable to unitholders for the period from 25 December 2017 to 30 June 2018;
- the condensed statement of cash flows for the period from 25 December 2017 to 30 June 2018; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed interim financial statements of **AlAhli REIT Fund (1)** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Dhul Qadah 19, 1439H
Corresponding to August 1, 2018

KPMG Al Fozan & Partners, a partnership registered in Saudi Arabia and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)
As at 30 June 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	Notes	***30 June 2018***
ASSETS		
Cash and cash equivalents		**190**
Investment at fair value through profit or loss	7	**38,816**
Due from related parties	10	**48,505**
Rent receivable		**17,806**
Investment properties	8	**1,354,852**
Prepayments and other receivables		**4,203**
Total assets		**1,464,372**
LIABILITIES		
Account payable		**3,061**
Due to related parties	10	**15,223**
Other liabilities		**12,275**
Deferred revenue	9	**21,678**
Total liabilities		**52,237**
Net assets attributable to Unitholders		**1,412,135**
Units in issue in thousands (number)		**137,500**
Net assets value per unit (SAR)		**10.2700**

The accompanying notes 1 to 15 form integral part
of these condensed interim financial statements

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
For the period from 25 December 2017 to 30 June 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the period from 25 December 2017 to 30 June 2018
Rental income	**75,599**
Income from FVTPL investments	**342**
Total revenue	**75,941**
EXPENSES	
Administrative expenses	**19,318**
Depreciation	**10,673**
Management and custody fees	**7,538**
Legal and professional fees	**863**
Tawadul fee	**414**
Total expenses	**38,806**
Profit for the period	**37,135**
Other comprehensive income for the period	--
Total comprehensive income for the period	**37,135**

The accompanying notes 1 to 15 form integral part
of these condensed interim financial statements

CONDENSED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (unaudited)

For the period from 25 December 2017 to 30 June 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the period from 25 December 2017 to 30 June 2018
Total comprehensive income for the period	**37,135**
Unit transactions during the period	
Proceeds from issuance of units	**1,375,000**
Net assets attributable to Unitholders at the end of the period	**1,412,135**

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

CONDENSED STATEMENT OF CASH FLOWS (unaudited)
For the period from 25 December 2017 to 30 June 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the period from 25 December 2017 to 30 June 2018
Cash flow from operating activities	
Total comprehensive income for the period	37,135
Adjustment for:	
Depreciation	10,673
	47,808
Net changes in operating assets and liabilities:	
Due from related parties	(48,505)
Account receivable	(17,806)
Prepayments and other receivables	(4,203)
Deferred revenue	21,678
Due to related parties	15,223
Account payable	3,061
Other liabilities	12,275
Net cash generated from operating activities	29,531
Cash flow from investing activities	
Purchase of investment properties	(420,525)
Investment at fair value through profit or loss	(38,816)
Net cash used in investing activities	(459,341)
Cash flow from financing activities	
Proceeds from units sold	430,000
Net cash generated from financing activities	430,000
Net change in cash and cash equivalent and cash and cash equivalent at the end of the period	190
Non-cash information:	
Purchase of investment property against issuance of units	945,000

The accompanying notes 1 to 15 form integral part of these condensed interim financial statements

1 THE FUND AND ITS ACTIVITIES

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

As defined in Capital Market Authority's Regulation No. 2-83-2005 dated 21 Jumada Awal 1426H (28 June 2005) the Fund Manager conducts following securities’ activities:

a) Dealing;
b) Arranging;
c) Managing;
d) Advising;
e) Custody;

The Fund’s objective is to provide periodic rental income to its Unitholders by investing mainly in Developed Properties generating income, in addition to potential capital growth of total value of Fund's assets when assets are sold later, or target assets are developed or expanded.

The Fund will invest mainly in developed income generating real estate assets. The Fund 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 Arabian Monetary Agency and operate in Saudi Arabia. The Fund may also invest in public money market funds approved the Capital Market Authority.

The terms and conditions of the Fund were approved by the Capital Market Authority (the “CMA”) on 11 Rabi Awal 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 NCB Capital. The cash was transferred to the Bank account of the Fund on its commencement date which was used to purchase the investment property and units were issued to unitholders simultaneously. The Fund commenced its activities on 25 December 2018 (the “inception date”). On the inception date, the Fund issued 137,500 units for SR 1,375 million which was considered as initial capital contribution of the Fund.

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

The Fund has been established and units are offered in accordance with the Real Estate Investment Funds Regulations issued by the Board of Directors of CMA under Resolution No. 1-193-2006, dated 19/6/1427H, (The "Real Estate Investment Funds Regulations"), and in accordance with the instructions issued by CMA in respect of real estate investment traded funds pursuant to Resolution No. 6-130-2016, dated 23/1/1438H, corresponding to 24/10/2016G, ("Real Estate Investment Traded Funds Instructions") detailing requirements for all the Real Estate Investment Traded Funds within the Kingdom of Saudi Arabia. As per the terms and conditions of the Fund, the Fund will distribute at least 90%of its net income to its unitholders.

The results for the period from 25 December 2017 to 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year for the period from 25 December 2017 to 31 December 2018.

2 BASIS OF ACCOUNTING

These condensed interim financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards for Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA). Since these are the first interim financial statements of the Fund, so no comparative information is included in these condensed interim financial statements.

3 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). These condensed interim financial statements are presented in Saudi Arabian Riyal ("SAR") which is the Fund's functional and presentation currency.

5 CRITICAL ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

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

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

Impairment of investment properties
Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its fair value less cost to sell and value in use.

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

Impairment of investment properties (continued)
For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the condensed statement of comprehensive income.

Impairment of financial assets held at amortised cost
The Fund assesses on a forward-looking basis the expected credit losses ("ECL") associated with its financial instrument assets carried at amortised cost. These primarily includes rent receivable and due from related party. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

6 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below.

6.1 Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include bank balance held at a commercial bank.

6.2 Financial instruments

Investment in fair value through profit or loss, rent receivable and due from related party are the major financial assets. Financial liabilities mainly include account payable, due to related party and other liabilities.

Initial recognition
A financial asset or financial liability (unless it's a rent receivable / other receivable / due from related party) without a significant financing component) is initially measured at fair value plus, for an item not carried at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Rent receivable without a significant financing component is initially measured at transaction price.

Derecognition
A financial asset (or a part of a financial asset, or a part of a group of similar financial assets) is derecognized, when the contractual rights to the cash flows from the financial asset expires. A financial liability (or a part of financial liability) can only be derecognized when it is extinguished, that is, when the obligation specified in the contract is either discharged, cancelled or expired.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

6.2 Financial instruments (continued)

Subsequent measurement
Subsequent to initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in the condensed statement of comprehensive income when an asset is newly originated. The Fund recognizes loss allowances for ECL on rent receivable and due from related parties at an amount equal to lifetime ECL.

Investment measured at fair value through profit or loss is measured at its fair value at the reporting date. The movement in the fair value is recognized in the condensed statement of comprehensive income.

6.3 Investment properties

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in condensed statement of comprehensive income.

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

Categories	**Useful Life**
Building	20 - 40
Furniture and Fixture	5 - 10
Computer and Hardware	3 - 5
Office Equipment	4 - 10

6.4 Financial liabilities

All non-derivative financial liabilities, comprising of account payable, due to related party and other liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective commission rate method.

6.5 Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

6.6 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 loss.

6.7 Accrued expenses and other payables

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

6.8 Revenue recognition

Rental income from investment properties is recognized on straight-line basis in accordance with the terms of the lease contract. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

6.9 Zakat and income tax

Zakat / taxation is the obligation of the unitholders and therefore, no provision for such liability is made in these condensed interim financial statements.

6.10 Dividend payable

Interim and final dividends are recorded as liability in the period in which they are approved by the Fund Board.

6.11 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the condensed statement of financial position only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the condensed statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

6.12 Net asset value per unit

The net asset value per unit is calculated by dividing the net assets attributable to Unitholders included in the condensed statement of financial position by the numbers of units outstanding at the year/period end.

6.13 Foreign currency transactions

Transactions denominated in foreign currencies are recorded in the books at the rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the condensed statement of comprehensive income.

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

7 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2018	
	Cost	**Value**
Investment in mutual fund managed by the Fund Manager		
AlAhli Saudi Riyal Trade Fund (21,154,157 Units) (a related party)	**38,556**	**38,816**

8 INVESTMENT PROPERTIES

The Fund has acquired following properties at inception date of 25 December 2017 against cash consideration of SR 405 million (represents 30% of total purchase value of SR 1,350 million) and issuance of units valuing SR 945 million to AlAndalus Property Company ("APC") – the previous owner. In addition, the Fund has also capitalized transaction cost amounting to SR 15.53 million at acquisition:

Name of the property	**Nature of Property**	**Purchase Price**
Alandalus Mall, Jeddah	Commercial Centre	**1,150,000**
Staybridge Suites & Hotel, Jeddah	Five Star Hotel	**200,000**

Hamat Property Company, a Saudi limited liability company has been assigned as the operator and leasing manager and mandated to deal with all commercial tenancy and room allocation on behalf of the Fund.

The Fund has also acquired certain associated assets and liabilities of the properties including deferred revenue against corresponding claim from APC amounting to SR 25.4 million.

The title deeds of the properties are kept in the name of Sandooq Tamkeen Real Estate Company ("SPV"), which is owned by AlBilad Capital (custodian of the Fund). Fund pays the custody fee to the custodian which is equal to 0.25% of the average of the valuation of the properties.

At 30 June 2018, investment properties represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation:

	Land	**Buildings**	**Furniture and Fixture**	**Computer & Hardware**	**Office Equipment**	**Total**
Acquisition cost	**812,411**	**535,365**	**8,655**	**2,039**	**7,055**	**1,365,525**
Depreciation for the period	**--**	**(9,428)**	**(538)**	**(117)**	**(590)**	**(10,673)**
Carrying value at 30 June 2018	**812,411**	**525,936**	**8,117**	**1,922**	**6,466**	**1,354,852**

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

8 INVESTMENT PROPERTIES (continued)

In accordance with article 22 of the Real Estate Investment Funds Regulations issued by CMA, the Kingdom of Saudi Arabia, the Fund manager evaluates the Fund's real estate assets based on two evaluations prepared by the independent evaluators. However, in accordance with IFRS as endorsed in Kingdom of Saudi Arabia, investment in real estate properties are carried at cost less accumulated depreciation in these condensed interim financial statements.

The valuation of the investment property as at 30 June 2018 is carried out by Colliers International and ValuStrat Consulting, which are accredited valuers from Saudi Authority of Accredited valuers (TAQEEM). Key assumptions for the valuation of investment properties include the discount rate (10.5% to 12%), exit yield rate (8.5% to 9.75%) and operational expenses (17.5% to 21%). The estimated fair value of investment property approximately equals to the carrying value.

9 DEFERRED REVENUE

This represent rental income received in advance in respect of investment properties. Movement in deferred revenue for the period from 25 December 2017 to 30 June 2018 is as follows:

	For the period from 25 December 2017 to 30 June 2018
Acquired as part of acquisition	**25,406**
Rent received during the period	**58,592**
Adjusted against revenue earned	**(62,320)**
Balance at the end of the period	**21,678**

10 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Name of entity	Relationship
NCB Capital Company	Fund Manager and Unitholder
AlAndalus Property Company (APC)	Unitholder

Fund management fee
Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager is entitled a management fee of 1% per annum of the Fund's total assets net of Fund expenses based on the last valuation and is payable on semi-annual basis.

Property management fee
The Fund via a master transfer agreement dated 25 December 2017 appointed APC as property manager. Under the agreement, APC manages operations of the property against which Fund pays fix amount of SR 500,000 per annum to APC.

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties

During the period from 25 December 2017 to 30 June 2018, the Fund entered into the following transactions with related parties (see note 7 as well) in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions are approved by the Fund Board.

Related party	Nature of transaction	Amount of transactions 2018	Balance as at 30 June 2018
Due to related parties			
NCB Capital Company	Management Fee	**7,059**	**7,059**
AlAndalus Property Company	Expenses paid on behalf of the fund	**8,164**	**8,164**
			15,223
Due from related parties			
AlAndalus Property Company	Rental received from tenants	**48,505**	**48,505**

11 FINANCIAL RISK MANAGEMENT

11.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and operational risk.

The Fund Manager is responsible for identifying and controlling risks. The Fund Board supervises the Fund Manager and is ultimately responsible for the overall management of the Fund.

Monitoring and controlling risks is primarily set up to be performed based on the limits established by the Fund Board. The Fund has its Terms and Conditions document that set out its overall business strategies, its tolerance of risks and its general risk management philosophy and is obliged to take actions to rebalance the portfolio in line with the investment guidelines.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

Market risk

Foreign exchange risk
Foreign exchange risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in foreign currency.

The Fund does not have any significant foreign exchange risk since the majority of its transactions are carried out in SAR

Commission rate risk
Commission rate risk is the risk that the value of the future cash flows of a financial instrument or fair values of fixed coupon financial instruments will fluctuate due to changes in market commission rates.

The Fund is not subject to commission rate risk, as it does not have any commission bearing financial instruments.

Price risk
Price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements.

The price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds. As of the date of condensed statement of financial position, the fund is not exposed to price risk.

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for bank balances and rent receivables.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

As at the reporting date, the Fund's maximum exposure to credit risk is represented by the respective carrying values of its financial assets exposed to credit risk.

Liquidity risk

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

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

11 FINANCIAL RISK MANAGEMENT (continued)

11.1 Financial risk factors (continued)

Operation risk

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

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

11.2 Fair value estimation

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 a financial asset or a financial 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.

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 financial assets and financial liabilities for which fair value is measured or disclosed in the condensed interim 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.

The Fund's investment in AlAhli Saudi Riyal Trade Fund is classified as level 2.

12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted; however, the Fund has not early adopted them in preparing these condensed interim financial statements.

(a) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 'IAS 17 – Leases', 'IFRIC 4 – Determining whether an Arrangement contains a Lease', 'SIC-15 - Operating Leases – Incentives' and 'SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Fund can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains, a lease.

Transition

As a lessee, the Fund can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Fund currently plans to apply IFRS 16 initially on January 1, 2019. The Fund has not yet determined which transition approach to apply. As a lessor, the Fund is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

12 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(b) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.

• If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
• If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

- IAS 12 Income Taxes – clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.
- IAS 23 Borrowing Costs – clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

(c) Other Amendments

The following new or amended standards which are not yet effective and neither expected to have a significant impact on the Fund's condensed interim financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

13 SUBSEQUENT EVENT

On 31 July 2018, the Fund Board approved to pay a dividend, for the period form 25 December 2017 to 30 June 2018, of SR 0.325 per unit totaling to SR 44.69 million to its unitholders. The dividend will be paid subsequent to the period end.

14 LAST VALUATION DAY

The last valuation day for the period was 30 June 2018.

15 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on Dhul Qadah 19, 1439H, corresponding to August 1, 2018.