

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the period ended 30 June 2019
Together with
Independent auditors' report on review of interim financial statements

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**As at 30 June 2019**

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

		30 June 2019	31 December 2018
	Notes	(unaudited)	(audited)
<u>ASSETS</u>			
Cash and cash equivalents		8,459	7,337
Investment at fair value through profit or loss	8	49,963	58,112
Due from a related party	11	4,316	7,690
Rent receivable		23,088	22,997
Prepayments and other receivable		6,054	1,196
Other assets		2,087	2,866
Current assets		93,967	100,198
Investment properties	9	1,336,580	1,345,627
Non-Current assets		1,336,580	1,345,627
Total assets		1,430,547	1,445,825
<u>LIABILITIES</u>			
Current Liabilities			
Due to related parties	11	10,382	11,693
Other liabilities		15,803	10,732
Deferred rental revenue	10	21,338	26,429
Total Liabilities		47,523	48,854
Equity attributable to Unitholders		1,383,024	1,396,971
Units in issue in thousands (number)		137,500	137,500
Net assets value per unit (SAR)		10.0584	10.1598

Fund manager

The attached notes from 1 to 14 are an integral part of these condensed interim financial statements.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)****For the six months period ended 30 June 2019**

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

	For the Six months period ended	
	30 June 2019	30 June 2018
	(unaudited)	(unaudited)
Revenue from properties	70,409	75,599
Operational expenses	(20,477)	(19,318)
Depreciation	(10,675)	(10,673)
Gross profit	39,257	45,608
Management fees	(6,871)	(7,059)
Professional fees	(532)	(863)
Board fees	(50)	-
Tadwaul fees	(374)	(414)
Custody fees	(176)	(205)
Other expenses	(1,083)	(274)
Net operating profit	30,171	36,793
Net gain on investment at fair value through profit or loss	568	342
Profit for the period	30,739	37,135
Other comprehensive income for the period	-	-
Total comprehensive income for the period	30,739	37,135

Fund manager

The attached notes from 1 to 14 are an integral part of these condensed interim financial statements.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

CONDENSED INTERIM STATEMENT CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS (UNAUDITED)**For the six months period ended 30 June 2019**

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

	<u>30 June 2018</u>
Unit transactions during the period	
Proceeds from issuance of units	1,375,000
Total comprehensive income for the period	<u>37,135</u>
Equity attributable to Unitholders at 30 June 2018 (unaudited)	<u><u>1,412,135</u></u>
	<u>30 June 2019</u>
Equity attributable to Unitholders at 1 January 2019	1,396,971
Total comprehensive income for the period	30,739
Unit transactions during the period	
Dividends paid during the period	(44,686)
Equity attributable to Unitholders at 30 June 2019 (unaudited)	<u><u>1,383,024</u></u>

Fund manager

The attached notes from 1 to 14 are an integral part of these condensed interim financial statements.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**For the six months period ended 30 June 2019**

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

	For the Six months period	
	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)
Cash flow from operating activities		
Total comprehensive income for the period	30,739	37,135
<i>Adjustment for:</i>		
Depreciation	10,675	10,673
<i>Net changes in operating assets and liabilities:</i>		
Due from a related party	3,374	(48,505)
Rent receivable	(91)	(17,806)
Prepayments and other receivable	(4,858)	(4,203)
Deferred revenue	(5,091)	21,678
Other assets	779	-
Due to related parties	(1,311)	15,223
Other liabilities	5,071	15,336
Net cash generated from operating activities	39,287	29,531
Cash flow from investing activities		
Purchase of investment properties	(1,628)	(420,525)
Investment at fair value through profit or loss	8,149	(38,816)
Net cash generated from/(used in) investing activities	6,521	(459,341)
Cash flow from financing activities		
Dividends paid	(44,686)	-
Proceeds from units sold	-	430,000
Net cash (used in)/generated from financing activities	(44,686)	430,000
Net change in cash and cash equivalent	1,122	190
Cash and cash equivalent at the beginning of the period	7,337	-
Cash and cash equivalent at the end of the period	8,459	190
<i>Non-cash information:</i>		
Purchase of investment property against issuance of units	-	945,000

Fund manager

The attached notes from 1 to 14 are an integral part of these condensed interim financial statements.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

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.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

2 BASIS OF COMPLIANCE

These condensed interim financial statements have been prepared for the six-month period ended 30 June 2019 in accordance with requirements of IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the fund’s last annual financial statements as at and for the year ended 31 December 2018.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements accordance with requirements of IFRS endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

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 except for investments measured at fair value through profit or loss (“FVTPL”) which are recorded at fair value.

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.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

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 receivables and due from a 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 accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the fund’s annual financial statements for the year ended 31 December 2018, except for the adoption of new standards and amendment effective as of 1 January 2019.

The Fund has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective. The Fund applied IFRS 16 “Leases” and there is no significant effect from applying IFRS 16 on the financial statements.

7 CHANGES IN ACCOUNTING POLICIES

International Financial Reporting Standard – IFRS-16 “Leases”.

IFRS 16 “Leases” introduces a single accounting model for on-balance sheet leases for lessees. A lessee recognizes 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 recognition 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.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)**For the six months period ended 30 June 2019**

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

8 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	30 June 2019		31 December 2018	
	(Unaudited)		(audited)	
	<u>Cost</u>	<u>Value</u>	<u>Cost</u>	<u>Value</u>
<i>Investment in mutual fund managed by the Fund Manager</i>				
AlAhli Saudi Riyal Trade Fund (26,558,359 Units) (a related party)	<u>49,578</u>	<u>49,963</u>	<u>57,729</u>	<u>58,112</u>

9 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.

<u>Name of the property</u>	<u>Nature of Property</u>	<u>Purchase Price</u>
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 on behalf of the Fund.

The title deed of the properties are under the custody of Sandoq 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 0.025% of the average of the valuation of the properties.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)**For the six months period ended 30 June 2019**

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

9 INVESTMENT PROPERTIES (CONTINUED)

	<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	812,411	535,364	8,842	2,039	7,055	1,274	1,366,985
Additions during the period	-	-	-	-	-	1,628	1,628
Balance at 30 June	<u>812,411</u>	<u>535,364</u>	<u>8,842</u>	<u>2,039</u>	<u>7,055</u>	<u>2,902</u>	<u>1,368,613</u>
<u>Accumulated depreciation</u>							
Balance at 1 January	-	(18,857)	(1,089)	(235)	(1,177)	-	(21,358)
Depreciation charged for the period	-	(9,432)	(541)	(112)	(590)	-	(10,675)
Balance at 30 June 2019	-	<u>(28,289)</u>	<u>(1,630)</u>	<u>(347)</u>	<u>(1,767)</u>	-	<u>(32,033)</u>
Net book value at 30 June 2019	<u>812,411</u>	<u>507,075</u>	<u>7,212</u>	<u>1,692</u>	<u>5,288</u>	<u>2,902</u>	<u>1,336,580</u>
Net book value at 31 December 2018	<u>812,411</u>	<u>516,507</u>	<u>7,753</u>	<u>1,804</u>	<u>5,878</u>	<u>1,274</u>	<u>1,345,627</u>

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 financial statements.

The valuation of the investment property as at 30 June 2019 is carried out by Knight Frank and ValuStrat Consulting, which are accredited valuers by the Saudi Authority of Accredited valuers (TAQEEM). Key assumptions for the valuation of investment properties include the discount rate (10.5% to 11.5%), exit yield rate (8.5% to 9%). The estimated fair value of investment property approximately equals to the carrying value.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)**For the six months period ended 30 June 2019**

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

10 DEFERRED REVENUE

This represent rental income received in advance in respect of investment properties. Movement in deferred revenue is as follows:

	30 June 2019	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
Balance at the beginning period	<u>26,429</u>	-
Acquired as part of acquisition	-	25,406
Rent received during the period	57,492	124,332
Adjusted against revenue earned	<u>(62,583)</u>	(123,309)
Balance at the end of the period	<u>21,338</u>	<u>26,429</u>

11 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
National Commercial Bank	Shareholder of Fund Manager
AlAndalus Property Company (APC)	Unitholder
Hamat Property Company	Property Operator

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.

Agency fee

The Fund via a master transfer agreement dated 25 December 2017 appointed APC as property agent. Under the agreement, APC is appointed to exercise, perform and discharge all rights and obligations as an agent. The Fund pays a fixed amount of SR 500,000 per annum, to APC for the aforementioned agency services.

Transactions with related parties

During the period from 31 December 2018 to 30 June 2019 the Fund entered into the following transactions with related parties in the ordinary course of business. These transactions were carried out on the basis of approved terms and conditions of the Fund. All related party transactions are approved by the Fund Board.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)**For the six months period ended 30 June 2019**

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

11 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Summary of transactions and balances are as follows:

	Transactions during the period ended 30 June 2019 (Unaudited)			Transactions during the period ended 30 June 2018 (Unaudited)			Balance at	
	Management Fee	Mall Operating Fee and other related expenses	Rental received from tenants/ Expenses paid on behalf of the Fund	Management Fee	Mall Operating Fee and other related expenses	Rental received from tenants/ Expenses paid on behalf of the Fund	30 June 2019 (Unaudited)	31 December 2018 (Audited)
<u>Due from related parties:</u>								
AlAndalus Property Company	-	-	12,565	-	-	48,505	3,366	7,690
StayBridge Suites	-	-	2,601	-	-	4,010	950	-
	-	-	15,166	-	-	52,515	4,316	7,690
<u>Due to a related party:</u>								
Hamat Property Company	-	4,243	-	-	-	-	3,249	4,734
NCB Capital Company	6,871	-	-	7,059	-	-	6,871	6,959
AlAndalus Property Company	262	-	-	-	-	-	262	-
	7,133	4,243	-	7,059	-	-	10,382	11,693

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

12 FINANCIAL RISK MANAGEMENT

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.

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.

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors – (continued)

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.

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.

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

ALAHLI REIT FUND (1)

(Managed by NCB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT (UNAUDITED)

For the six months period ended 30 June 2019

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

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors – (continued)

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.

13 LAST VALUATION DAY

The last valuation day for the period was 30 June 2019.

14 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund Board on