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

FINANCIAL STATEMENTS
For the period ended from 25 December 2017 to 31 December 2018
with
INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS

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Independent Auditors' Report

To the Unitholders of AlAhli REIT Fund (1)

Opinion

We have audited the financial statements of AlAhli REIT Fund (1) (the "Fund"), managed by NCB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2018, and the related statements of comprehensive income, changes in equity attributable to unitholders and cash flows for the period from 25 December 2017 to 31 December 2018, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018, and its financial performance and its cash flows for the period from 25 December 2017 to 31 December 2018 in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditors' Report

To the Unitholders of AlAhli REIT Fund (1) (continued)

Key Audit Matters (continued)

The Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying value of investment property held by the Fund was SR 1,346 Million. The investment property is stated at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. However, the fair value of the investment property is disclosed along with its impact on equity per unit. In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its property at each reporting date. In case such indicators are identified, therecoverable amount of such property is required to be determined. As part of its assessment of impairment indicators, the Fund reviews both the internal and external indicators of impairment including but not limited to net cash outflows or operating losses, physical wear and tear of assets and adverse market changes or conditions. Moreover, the assessment of recoverable amounts entails the use of complex valuation techniques. Since, the evaluation of impairment indicators and ensuing recoverable amount assessment, where required, involves the exercise of significant judgment, it has therefore been determined to be a key audit matter.	Our audit procedures in response to the assessed risk of material misstatement in valuation of investment properties comprised of: - Obtained an understanding of the management processes for identification, and mitigation of valuation risk; - Performed test of details on the costs capitalized and ensured that all costs are appropriately capitalized; - Assessed the process followed by the Fund for the assessment of impairment indicators and recoverable amount determination during the year ended December 31, 2018. - Assessed the Fund Manager's determination of the following: • The factors considered by the Fund in impairment indicator assessment; and • The basis used for the identification of cash generating units ('CGU'), which is the level at which recoverable amounts are determined. - Assessed the recoverable amount assessment prepared by the Fund using valuation reports prepared by independent valuers and assessed the model, assumptions and estimates used in the calculation of fair values less cost of disposal ('fair value') and value in use ('VIU'). - Assessed the key assumptions and estimates used, including discount rate, exit yield rate, annual rental income, operating expenditure and occupancy. Performed sensitivity analysis, including assessment of the effect of reasonably possible increases the in discount rate and operating expenditures on the forecasted cash flows to evaluate the impact. - Compared the recoverable amount of each CGU with its carrying value. - Evaluated the financial statement disclosures, including disclosures of key assumptions and judgements.

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Independent Auditors' Report

To the Unitholders of AlAhli REIT Fund (1) (continued)

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

Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and for such internal control as the Fund Manager 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 the Fund Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' 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 auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Independent Auditors' Report

To the Unitholders of AlAhli REIT Fund (1) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of AlAhli REIT Fund (1).

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382

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Certified Public Accountants
KPMG Al Fozan & Partners

Jeddah, 21 Rajab 1440H
Corresponding to 28 March 2019

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	Notes	***31 December 2018***
ASSETS		
Current Assets		
Cash and cash equivalents	7	**7,337**
Investment at fair value through profit or loss	8	**58,112**
Rent receivable	9	**22,997**
Due from related parties	15	**7,690**
Prepayments and other receivables		**1,196**
Other assets		**2,866**
Total current Assets		**100,198**
Non-Current Assets		
Investment properties	10	**1,345,627**
Total assets		**1,445,825**
LIABILITIES		
Current Liabilities		
Due to related parties	15	**11,693**
Other liabilities		**10,732**
Deferred rental revenue	11	**26,429**
Total Liabilities		**48,854**
Equity attributable to unitholders		**1,396,971**
Units in issue in thousands (number)		**137,500**
Equity per unit (SAR)		**10.1598**

The accompanying notes 1 to 20 form integral part
of these financial statements

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

STATEMENT OF COMPREHENSIVE INCOME
For the period from 25 December 2017 to 31 December 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	Notes	***For the period from 25 December 2017 to 31 December 2018***
Revenue from properties	12	**148,332**
Operational expenses	13	**(40,523)**
Depreciation	10	**(21,358)**
Allowance for doubtful debts		**(3,259)**
Gross profit		**83,192**
Management fees	15	**(14,086)**
Professional fees		**(350)**
Board fees		**(100)**
Tawadul fees		**(758)**
Custody fees		**(391)**
Shariah fees		**(27)**
Other expenses		**(1,608)**
Net operating profit		**65,872**
Net gain on investment at fair value through profit or loss	8	**787**
Profit for the period		**66,659**
Other comprehensive income for the period		**--**
Total comprehensive income for the period		**66,659**

The accompanying notes 1 to 20 form integral part
of these financial statements

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the period from 25 December 2017 to 31 December 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the period from 25 December 2017 to 31 December 2018
Total comprehensive income for the period	**66,659**
Unit transactions during the period	
Proceeds from issuance of units	**1,375,000**
Dividend paid during the period	**(44,688)**
Equity attributable to Unitholders at the end of the period	**1,396,971**

The accompanying notes 1 to 20 form integral part
of these financial statements

STATEMENT OF CASH FLOWS
For the period from 25 December 2017 to 31 December 2018
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the period from 25 December 2017 to 31 December 2018
Cash flow from operating activities	
Profit for the period	**66,659**
Adjustment for:	
Depreciation	**21,358**
Allowance for doubtful debts	**3,259**
Net gain on investment at fair value through profit or loss	**(787)**
	90,489
Net changes in operating assets and liabilities:	
Due from related parties	**(7,690)**
Accounts receivable	**(26,256)**
Prepayments and other receivables	**(1,196)**
Other assets	**(2,866)**
Deferred rental revenue	**26,429**
Due to related parties	**11,693**
Other liabilities	**10,732**
Net cash generated from operating activities	**101,335**
Cash flow from investing activities	
Purchase of investment properties	**(420,711)**
Construction in progress	**(1,274)**
Additions to investment at fair value through profit or loss	**(83,458)**
Disposal of investment at fair value through profit or loss	**26,133**
Net cash used in investing activities	**(479,310)**
Cash flow from financing activities	
Proceeds from units sold	**430,000**
Dividend paid	**(44,688)**
Net cash generated from financing activities	**385,312**
Net change in cash and cash equivalents and cash and cash equivalent at the end of the period	**7,337**
Non-cash information:	
Purchase of investment property against issuance of units	**945,000**

The accompanying notes 1 to 20 form integral part
of these 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 the total value of the 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 2017 (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.

2 BASIS OF ACCOUNTING

These financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA") and to comply with the applicable provisions of the Investment Funds Regulations issued by Capital Market Authority, the Fund's terms and conditions and the Information Memorandum.

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

5 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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 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 changes 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.

For the purpose of assessing impairment, investment properties are grouped at the 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 statement of comprehensive income.

5 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 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 cash in hand and bank balances held at commercial banks.

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.

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 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 statement of comprehensive income.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of comprehensive income.

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

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

6.4 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 groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

6.5 Financial liabilities

All non-derivative financial liabilities, comprising of accounts 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.

6.6 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.

6.7 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.

6.8 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.

6.9 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. The Fund has no geographical dispersion and revenue is recorded over the lease contract.

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

6.10 Zakat and income tax

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

6.11 Dividend payable

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

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

6.12 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the 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 statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

6.13 Equity per unit

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

6.14 Units in issue

The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets. 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 at each redemption date and also 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 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 or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

6.15 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 statement of comprehensive income.

7 CASH AND CASH EQUIVALENTS

These comprises of cash in hand and balances held with commercial banks.

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:

	31 December 2018	
	Cost	**Value**
Investment in mutual fund managed by the Fund Manager		
AlAhli Saudi Riyal Trade Fund (31,308,937 Units) (a related party)	**57,729**	**58,112**

During the period, the Fund recognised net gain of SR 787 thousand from these investments.

9 RENT RECEIVABLE

Rent receivable comprises of the following:

	31 Dec 2018
Rent receivable	**26,256**
Allowance for doubtful debt	**(3,259)**
Rent receivable – net	**22,997**

As at 31 December 2018, the five largest customer accounts for 29% of rent receivable of the Fund.

10 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 valued at 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 of Alandalus Mall. Intercontinental Hotel Group is the operator and manager for Staybridge Suites & Hotels and manages 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 0.025% of the Fund's assets under custody based on the average of latest valuations of the properties.

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

10 INVESTMENT PROPERTIES (continued)

At 31 December 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 & Fixture	Computer & Hardware	Office equipment	Construction in progress	Total
Acquisition cost	**812,411**	**535,364**	**8,655**	**2,039**	**7,055**	**--**	**1,365,524**
Additions during the year	**--**	**--**	**187**	**--**	**--**	**1,274**	**1,461**
Depreciation for the period	**--**	**(18,857)**	**(1,089)**	**(235)**	**(1,177)**	**--**	**(21,358)**
Carrying value at 31 December 2018	**812,411**	**516,507**	**7,753**	**1,804**	**5,878**	**1,274**	**1,345,627**

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.

As per the valuation report, fair value of the properties was determined by Taqeem certified valuers in accordance with Taqeem Regulations (Saudi Authority for Accredited Valuers) in confirming with the International Valuation Standards Council (IVSC's) and International Valuation Standards. The assumptions used in determining fair value of the investment properties are as follows:

Description	Key assumptions	Market Value	
		As at 25 Dec 2017	**As at 31 Dec 2018**
Valuer: **Colliers International**			
Al Andalus Mall	Discount rate: 11.25%, Exit yield rate: 9.50%	**1,144,000**	**1,107,000**
Stay Bridge Suites Hotel	Discount rate: 11.25%, Exit yield rate: 9.25%	**180,000**	**174,000**
		1,324,000	**1,281,000**
Valuer: **Knight Frank**			
Al Andalus Mall	Discount rate: 12.25%, Terminal capitalisation rate: 9.25%	**1,150,558**	**--**
Stay Bridge Suits Hotel	Discount rate: 12.25%, Terminal capitalisation rate: 9.25%	**201,000**	**--**
		1,351,558	**--**

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

10 INVESTMENT PROPERTIES (continued)

Description	Key assumptions	Market Value	
		As at 25 Dec 2017	As at 31 Dec 2018
Valuer: **Value Strat**			
Al Andalus Mall	Discount rate: 10.50%, Exit yield rate: 8.50%	**--**	**1,161,000**
Stay Bridge Suits Hotel	Discount rate: 9.00%, Exit yield rate: 11.50%	**--**	**179,100**
		--	**1,340,100**

For the purpose of assessing impairment, value in use of the investment properties was determined by Taqeem certified valuers in accordance with guidance of IAS 36 "Impairment of Assets" using the following assumptions:

Description	Key assumptions	As at 31 Dec 2018
Valuer: **Insights**		
Al Andalus Mall	WACC: 10.2% Terminal capitalisation rate: 8.5%	**1,179,472**
Stay Bridge Suits Hotel	WACC: 9.59% Terminal capitalisation rate: 9.0%	**186,141**
		1,365,613

As a result of this analysis, management has not recognised an impairment in the current year, as the recoverable amount, which is the higher of its fair value less cost to sell and value in use, exceeds the carrying amount.

11 DEFERRED RENTAL REVENUE

Movement in deferred revenue for the period from 25 December 2017 to 31 December 2018 is as follows:

	For the period from 25 December 2017 to 31 December 2018
Acquired as part of acquisition	**25,406**
Rent invoiced during the period	**124,332**
Adjusted against revenue earned	**(123,309)**
Balance at the end of the period	**26,429**

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

12 REVENUE FROM PROPERTIES

Revenue from properties during the period represents the following:

	For the period from 25 December 2017 to 31 December 2018
Alandalus Mall	**124,232**
Staybridge Suites & Hotel	**24,100**
	148,332

13 OPERATIONAL EXPENSES

	For the period from 25 December 2017 to 31 December 2018
Alandalus Mall	
Operating Expenses	**16,886**
Utilities	**2,317**
Marketing expenses	**1,706**
Agency Fees	**500**
Other Expense	**2,410**
	23,819
Staybridge Suites & Hotel	
Salaries and other related expenses	**6,877**
Room department expenses	**2,022**
Marketing expenses	**1,020**
Management fees	**931**
Utilities	**2,435**
Other expenses	**3,419**
	16,704
	40,523

14 CONTINGENCY AND COMMITMENT

During the period, the Fund entered into agreements with National Commercial Bank for Ijarah financing of SR 650 Million. The financing will be utilized to purchase settled properties for the Fund. As per the agreement the Fund will transfer the ownership of existing investment properties to the Bank as mortgage at the time of disbursement of the amount. As at 31 December 2018, no disbursement was made by the Bank to the Fund.

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

15 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 Manager

Fund management fee
Fund management fee is payable at an agreed rate with the Fund Manager. The Fund Manager is entitled to 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 the Fund pays a fixed amount of SR 500,000 per annum to APC.

Transactions with related parties

During the period from 25 December 2017 to 31 December 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.

Related party	**Nature of transaction**	**Amount of transactions 2018**	**Balance as at 31 December 2018**
Due to related parties			
NCB Capital Company	Management Fee	**14,086**	**6,959**
Hamat Property Company	Mall Operating Fee and other related expenses	**9,644**	**4,734**
			11,693
Due from related parties			
AlAndalus Property Company	Rental received from tenants/ Expenses paid on behalf of the Fund	**74,564**	**7,690**

16 FINANCIAL RISK MANAGEMENT

16.1 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 sets 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 currently 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. The Fund closely monitors the price movement of its investments in financial instruments. As of the statement of financial position date, the Fund has investments in AlAhli Saudi Riyal Fund ("Investee Fund").

The effect on the equity (as a result of the change in the fair value of investments as at 31 December) due to a reasonably possible change in equity of FVTPL investments, with all other variables held constantis as follows:

		31 December 2018
Effect on equity	**±10%**	**± 5,811**

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

16 FINANCIAL RISK MANAGEMENT (continued)

16.1 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.

It is the 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.

a) Maximum exposure to credit risk at the reporting date:

Assets	31 December 2018
Cash and cash equivalents	**7,337**
Investment at fair value through profit or loss	**58,112**
Rent receivable	**26,256**
Due to related parties	**7,690**
Other assets	**2,861**
	102,256

b) Analysis of financial assets

At December 31, 2018, the ageing of financial assets is as follows:

Financial Assets	Neither past due nor Impaired	Past due 1–90 days	Past due 90–180 days	Past due 180 to 270 days	Past due over 270 days	Total
Cash and cash equivalents	**7,337**	**--**	**--**	**--**	**--**	**7,337**
Investment at fair value through profit or loss	**58,112**	**--**	**--**	**--**	**--**	**58,112**
Rent receivable, net	**--**	**6,637**	**4,768**	**3,969**	**7,624**	**22,997**
Due to related parties	**7,690**	**--**	**--**	**--**	**--**	**7,690**
Other assets	**2,861**	**--**	**--**	**--**	**--**	**2,861**
Total financial assets	**76,000**	**6,637**	**4,768**	**3,969**	**7,624**	**98,997**

16 FINANCIAL RISK MANAGEMENT (continued)

16.1 Financial risk factors (continued)

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.

Operational risk

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

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.

16.2 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 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.

17 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The Fund Manager does not believe the adoption of IFRS 16 will have a material impact on the financial statements of the Fund.

(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.

17 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(b) Annual Improvements to IFRSs 2015–2017 Cycle (continued)

- 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.

The Fund Manager foes not believe adoption of the annual improvements IFRS 2015-2017 Cycle will have any significant impact on the financial statements of the Fund.

(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 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).
- Amendments to Reference to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

18 SUBSEQUENT EVENT

On 13 February 2018, the Fund Board approved to pay a dividend, for the period form 25 December 2017 to 31 December 2018, of SR 0.325 per unit totalling to SR 44.69 million toits unitholders. The dividend will be paid subsequent to the period end.

19 LAST VALUATION DAY

The last valuation day for the period was 31 December 2018.

20 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 21 Rajab 1440H, corresponding to 28 March 2019.