

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six months period ended 30 June 2020  
Together with  
**Independent Auditors' Report on the review of the condensed interim financial statements**

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
**AND INDEPENDENT AUDITOR'S REVIEW REPORT**  
**For the six- months period ended 30 June 2020.**

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**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
Riyadh Front, Airport road  
P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia

Telephone +966 11 874 8500  
Fax +966 11 874 8600  
Internet [www.kpmg.com/sa](http://www.kpmg.com/sa)

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

To the Unitholders of AL AHLI REIT FUND 1 managed by NCB Capital Company

## Introduction

We have reviewed the accompanying 30 June 2020 condensed interim financial statements of **Al Ahli 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 2020;
- the condensed statement of profit or loss and other comprehensive income for six-month period ended 30 June 2020;
- the condensed statement of changes in equity attributable to the Unitholders for the six-month period ended 30 June 2020;
- the condensed statement of cash flows for the six-month period ended 30 June 2020; 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.



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

To the Unitholders of AL AHLI REIT FUND 1 managed by NCB Capital Company (continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed interim financial statements of **Al Ahli REIT Fund (1) (the "Fund")** 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**

**Hani Hamzah A. Bedairi**  
License No.: 460



Date: 27 Dhu Al-Hijjah 1441H  
Corresponding to 17 August 2020

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**As at 30 June 2020**  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020</b>	31 December 2019
		<b>(Unaudited)</b>	(Audited)
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		5,974	10,175
Investment at fair value through profit or loss	5	7,095	42,264
Receivables from lessees under operating leases		54,167	35,004
Due from related parties	9	1,829	2,659
Prepayments and other receivable		18,965	14,787
<b>Total current assets</b>		<b>88,030</b>	<b>104,889</b>
<b>Non-current assets</b>			
Investment properties	6	1,817,124	1,589,485
<b>Total non-current assets</b>		<b>1,817,124</b>	<b>1,589,485</b>
<b>Total assets</b>		<b>1,905,154</b>	<b>1,694,374</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities</b>			
Due to related parties	9	20,481	20,590
Deferred rental revenue		15,767	28,097
Other liabilities		22,277	11,976
Advances from lessees under operating leases		18,237	11,540
Provision for Zakat	8	2,208	1,500
<b>Total current liabilities</b>		<b>78,970</b>	<b>73,703</b>
<b>Non-current liabilities</b>			
Long-term debt	7	501,629	253,050
<b>Total non-current liabilities</b>		<b>501,629</b>	<b>253,050</b>
<b>Total liabilities</b>		<b>580,599</b>	<b>326,753</b>
<b>Equity attributable to unitholders</b>		<b>1,324,555</b>	<b>1,367,621</b>
<b>Units in issue in thousands (numbers)</b>		<b>137,500</b>	<b>137,500</b>
<b>Equity per unit (SAR)</b>		<b>9.6331</b>	<b>9.9463</b>

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**Fund Manager**

The accompanying notes 1 to 15 form 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-month period ended 30 June 2020**  
Expressed in Saudi Arabian Riyals ‘000 (unless otherwise stated)

	<i>Notes</i>	<b>30 June 2020</b>	30 June 2019
		<b>(Unaudited)</b>	(Unaudited)
Revenue from properties	<i>10</i>	<b>63,067</b>	70,409
Operational expenses	<i>10</i>	<b>(17,163)</b>	(20,645)
Depreciation	<i>6</i>	<b>(10,676)</b>	(10,675)
Impairment loss on investment properties	<i>6</i>	<b>(17,000)</b>	-
Allowance for impairment in doubtful receivables	<i>10</i>	<b>(1,000)</b>	-
<b>Gross profit</b>		<b>17,228</b>	39,089
Management fees		<b>(7,969)</b>	(6,871)
Professional fees		<b>(253)</b>	(260)
Board fees		<b>(50)</b>	(50)
Tadawul fees		<b>(349)</b>	(374)
Custody fees		<b>(184)</b>	(176)
Shariah fees		<b>(12)</b>	(14)
Other expenses		<b>(1,109)</b>	(1,173)
<b>Net operating profit</b>		<b>7,302</b>	30,171
Gain on investment at fair value through profit or loss	<i>5</i>	<b>311</b>	568
<b>Profit before finance cost and zakat</b>		<b>7,613</b>	30,739
Finance cost		<b>(5,285)</b>	-
Provision for Zakat	<i>8</i>	<b>(708)</b>	-
<b>Profit for the period</b>		<b>1,620</b>	30,739
<b>Other comprehensive income for the period</b>		<b>-</b>	-
<b>Total comprehensive income for the period</b>		<b>1,620</b>	30,739

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**Fund Manager**

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

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO**  
**UNITHOLDERS (UNAUDITED)**

**For the six-month period ended 30 June 2020**

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

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	<b>30 June 2020</b>	30 June 2019
	<b>(Unaudited)</b>	(Unaudited)
<b>Equity attributable to unitholders at the beginning of the period</b>	<b>1,367,621</b>	1,396,971
<b>Total comprehensive income for the period</b>	<b>1,620</b>	30,739
<b>Unit transactions during the period</b>		
Proceeds from issuance of units	-	-
Dividend declared during the period	<b>(44,686)</b>	(44,686)
<b>Equity attributable to unitholders at the end of the period</b>	<b>1,324,555</b>	1,383,024

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**Fund Manager**

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

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**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
**For the six-month period ended 30 June 2020**  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	<b>30 June 2020</b>	30 June 2019
	<b>(Unaudited)</b>	(Unaudited)
<b>Cash flows from operating activities</b>		
Profit for the period	<b>2,328</b>	30,739
<i>Adjustment for non-cash items:</i>		
Depreciation	<b>10,676</b>	10,676
Impairment loss of investment properties	<b>17,000</b>	
Finance cost	<b>5,285</b>	-
Allowance for impairment in doubtful receivables	<b>1,000</b>	-
Gain on investment at fair value through profit or loss	<b>(311)</b>	(568)
	<b>35,978</b>	40,847
<b>Changes in:</b>		
Receivable from lessees under operating leases	<b>(20,163)</b>	(91)
Due from related parties	<b>830</b>	3,374
Prepayments and other	<b>(4,178)</b>	(4,080)
Due to related parties	<b>(109)</b>	(1,311)
Deferred rental revenue	<b>(12,330)</b>	(5,091)
Other liabilities	<b>10,301</b>	5,071
Advances from lessees under operating leases	<b>6,697</b>	-
	<b>17,026</b>	(2,128)
Finance cost paid	<b>(5,285)</b>	-
<b>Net cash generated from operating activities</b>	<b>11,741</b>	38,719
<b>Cash flows from investing activities</b>		
Purchase of investment properties	<b>(255,315)</b>	(1,628)
Redemption From investments at fair value through profit or loss	<b>35,480</b>	8,717
<b>Net cash flows (used in) / generated from investing activities</b>	<b>(219,835)</b>	7,089
<b>Cash flows from financing activities</b>		
Dividend paid	<b>(44,686)</b>	(44,686)
Proceeds from loan	<b>248,579</b>	-
<b>Net cash generated from / (used in) financing activities</b>	<b>203,893</b>	(44,686)
<b>Net change in cash and cash equivalents</b>	<b>(4,201)</b>	1,122
Cash and cash equivalents at the beginning of the period	<b>10,175</b>	7,337
<b>Cash and cash equivalents at end of the period</b>	<b>5,974</b>	8,459

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**Fund Manager**

The accompanying notes 1 to 14 form an integral part of these condensed interim financial statements.



**1 THE FUND AND ITS ACTIVITIES**

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

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

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

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

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

The terms and conditions of the Fund were approved by CMA on 11 Rabi 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 an initial capital contribution of the Fund.

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

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

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

## **2 BASIS OF ACCOUNTING**

### **2.1 Statement of compliance**

These condensed interim financial statements (the “Interim Financial Statements”) for the six-month period ended 30 June 2020 have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for 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 2019.

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

### **2.2 Basis of measurement**

The interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss.

As required by the Capital Market Authority (“CMA”) through its circular dated 16th October 2016 the Fund needs to apply the cost model to measure the properties and equipment, investment properties, and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

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

- Obligating listed companies to continue to use the cost model to measure property (IAS 16) and investment property (IAS 40) in the financial statements prepared for financial periods within fiscal years, which start before the calendar year 2022.
- Allowing listed companies the policy choice to use the fair value model for investment property subsequent to initial measurement or the policy choice to use the revaluation model for property (IAS 16) subsequent to initial recognition in the financial statements prepared for financial periods within fiscal years starting during the calendar year 2022 or thereafter.

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

The Fund ’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Fund is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak have caused to its operations and financial performance. As of 30 June 2020, the Fund has recorded impairment loss on account of investment properties amounting to SR 17 million. Further, the Fund has also assessed the ability of its lessees to pay the rents relating to the period

**2 BASIS OF ACCOUNTING (CONTINUED)**

**2.3 Impact of coronavirus (COVID-19) outbreak (continued)**

impacted by COVID-19 outbreak. As a result, the Fund has given discounts to its lessees against the lease rentals amounting to SR 15.2 million.

As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The management of the Fund is currently monitoring the situation and its impact on the Fund's operation, cash flows and financial position. Despite the above adjustments, the management believes, based on their assessment, that the Fund has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

**2.4 Presentational and functional currency**

The presentational and functional currency of the Fund is Saudi Riyals (SR).

**3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE FUND**

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Fund's annual financial statements as of and for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Fund has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but these do not have an impact on the interim financial statements of the Fund .

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material

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

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

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

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2020  
Expressed in Saudi Arabian Riyals ‘000 (unless otherwise stated)

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**  
**(CONTINUED)**

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

- Determining fair values of investment properties
- Impairment loss on account of receivables against operating leases
- Useful lives of investment properties
- Impairment of non-financial assets

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

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

	<u>30 June 2020</u>		<u>31 December 2019</u>	
	<u>(Unaudited)</u>		<u>(Audited)</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
<i>Investment in mutual fund managed by the Fund Manager (a related party)</i>				
AlAhli Saudi Riyal Trade Fund	<u>6,877</u>	<u>7,095</u>	<u>41,566</u>	<u>42,264</u>

During the 30 June 2020, the Fund has recognized a net gain of SR 311 thousand (2019: SR 568 thousand) from these investments.

**6 INVESTMENT PROPERTIES**

**6.1** The Fund owns the following investment properties:

Name of the property	Nature of Property	Purchase Price
Al Andalus Mall, Jeddah (note 6.1.1)	Mall	1,150,000
Staybridge Suites, Jeddah (note 6.1.1)	Hotel	200,000
Salama Tower, Jeddah (note 6.1.2)	Office	255,000
Qbic Plaza, Riyadh (note 6.1.3)	Office	250,000

**6.1.1** The Fund acquired AlAndalus Mall and Staybridge Suites at Inception Date against cash consideration of SR 405 million (representing 30% of the total purchase values of SR 1,350 million) and by issuing units valuing SR 945 million to Alandalus Property Company (“APC”), the previous owner.

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

**6.1.3** The Fund acquired Qbic Plaza on 22 June 2020 against cash consideration of SR 250 million. The property is leased for a net lease amount of SR 21.6 million per annum until 17/06/1444 H.

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

**ALAHLI REIT FUND (1)**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2020  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)**

**6.2** At 30 June 2020, investment properties represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation. The break-up of the cost of investment properties is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Furniture &amp; Fixture</u>	<u>Computer &amp; Hardware</u>	<u>Office Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b><u>Cost:</u></b>							
Balance at 1 January	865,804	739,903	8,860	2,039	7,141	5,215	1,628,962
Additions during the period	103,302	149,573	155	78	136	2,071	255,315
Balance at 30 June 2020	<u>969,106</u>	<u>889,476</u>	<u>9,015</u>	<u>2,117</u>	<u>7,277</u>	<u>7,286</u>	<u>1,884,277</u>
<b><u>Accumulated depreciation</u></b>							
Balance at 1 January	-	(34,590)	(2,134)	(446)	(2,307)	-	(39,477)
Depreciation charged for the period	-	(9,473)	(522)	(110)	(571)	-	(10,676)
Impairment loss charged for the period	-	(17,000)	-	-	-	-	(17,000)
Balance at 30 June 2020	<u>-</u>	<u>(61,063)</u>	<u>(2,656)</u>	<u>(556)</u>	<u>(2,878)</u>	<u>-</u>	<u>(67,153)</u>
<b>Net book value at 30 June 2020 (Un audited)</b>	<u>969,106</u>	<u>828,413</u>	<u>6,359</u>	<u>1,561</u>	<u>4,399</u>	<u>7,286</u>	<u>1,817,124</u>
Net book value at 31 December 2019 (Audited)	<u>865,804</u>	<u>705,313</u>	<u>6,726</u>	<u>1,593</u>	<u>4,834</u>	<u>5,215</u>	<u>1,589,485</u>

The Fund has pledged Al-Andalus mall and Staybridge Suites as security against the Islamic Financing Facility obtained from NCB amounting to SR 650 million. The carrying value of AlAndalus Mall and Staybridge Suites aggregates to SR 1,311 million as at the reporting date.

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

**ALAHLI REIT FUND (1)**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2020  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)**

**6.3 Market values**

**6.3.1** The market values of the properties were determined by Taqem certified evaluators. The assumptions used in determining the fair values of the investment properties are as follows:

Description	Valuation approach	Key assumptions	Market Value	
			As at 30 June 2020	As at 31 December 2019
<b>Evaluator: Value Strat</b>				
AlAndalus Mall	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.50%	<b>1,151,600</b>	1,176,800
Staybridge Suites	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	<b>160,000</b>	164,000
Salama Tower	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	<b>264,000</b>	264,000
Qbic Plaza	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.5%	<b>244,000</b>	-
			<b>1,819,600</b>	1,604,800
<b>Evaluator: Knight Frank</b>				
AlAndalus Mall	Discounted cash flows	Discount rate: 10.75% Exit yield rate: 8.75%	<b>1,150,000</b>	1,171,600
Staybridge Suites	Discounted cash flows	Discount rate: 11.25% Exit yield rate: 9.25%	<b>154,600</b>	170,100
Salama Tower	Discounted cash flows	Discount rate: 10.75% Exit yield rate: 8.25%	<b>243,700</b>	253,860
Qbic Plaza	Discounted cash flows	Discount rate: 10.50% Exit yield rate: 8%	<b>252,270</b>	-
			<b>1,800,570</b>	1,595,560

Measurement data of fair values according to IFRS 13 as at 30 June 2020 and 31 December 2019 is as follows:

	Fair value measurement at 30 June 2020		
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investments properties	-	-	<b>1,810,085</b>
	Fair value measurement at 30 June 2019		
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investments properties	-	-	1,332,200

*Valuation techniques used to derivate level 3 of fair value*

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2020  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)**

**6.3.2** Based on the valuations performed by the valuers as of 30 June 2020, the Fund has recognized an impairment loss to the carrying value of Staybridge Suites, amounting to SR 17 million.

**7 LONG TERM DEBT**

	<b>30 June 2020</b>	31 December 2019
	<b>(Unaudited)</b>	(Audited)
Balance at the beginning of the period / year	<b>253,050</b>	-
Financing facility utilized during the period / year	<b>250,000</b>	255,000
Loan arrangement fee and amortization	<b>(1,421)</b>	(1,950)
Balance at the end of the period / year	<b>501,629</b>	253,050

**8 ZAKAT**

The movement in the provision for Zakat is as follows:

	<b>30 June 2020</b>	31 December 2019
	<b>(Unaudited)</b>	(Audited)
Balance at the beginning of the period / year	<b>1,500</b>	-
Charge for the period / year	<b>708</b>	<b>1,500</b>
Balance at the end of the period / year	<b>2,208</b>	<b>1,500</b>

**9 RELATED PARTY TRANSACTIONS AND BALANCES**

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

<b><u>Name of entity</u></b>	<b><u>Relationship</u></b>
NCB Capital Company	Fund Manager and Unitholder
National Commercial Bank (NCB)	Shareholder of the Fund Manager
Alandalus Property Company (APC)	Unitholder & Mall Operator
IHG (Inter-continental)	Operating Co. for Staybridge Hotel

**Fund management fee**

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

**Agency fee**

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

**ALAHLI REIT FUND (1)**  
**(Managed by NCB Capital Company)**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**  
For the six-month period ended 30 June 2020  
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

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

*Transactions with related parties*

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

Summary of transactions and balances are as follows:

	Transactions for the period ended 30 June 2020 (Unaudited)		Transactions for the period ended 30 June 2019 (Unaudited)		Balance at	
	Management fee / Operating fee and other related expenses	Rental received from tenants/ Expenses paid on behalf of the Fund	Management fee / Operating fee and other related expenses	Rental received from tenants/ Expenses paid on behalf of the Fund	30 June 2020  (Unaudited)	31 December 2019  (Audited)
<b>Due from related parties:</b>						
AlAndalus Property Company(*)	-	4,044	-	12,565	1,391	2,461
Staybridge Suites	282	-	-	2,601	438	198
					<b>1,829</b>	<b>2,659</b>
<b>Due to related parties:</b>						
Hamat Property Company	4,243	-	11,679	-	-	5,503
NCB Capital	6,871	-	14,824	-	18,942	14,824
Alandalus Property Company(*)	262	-	-	-	1,539	263
					<b>20,481</b>	<b>20,590</b>

(\*) Owing to the different nature of the balances, the balances have not been off-settled against each other.



**ALAHLI REIT FUND (1)**  
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**10 SEGMENT REPORTING**

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

Retail Sector: This includes units of investment properties such as Malls.

Hospitality Sector: This includes hospitality service providing entities (Staybridge Suites).

Offices Sector: This includes rent for commercial units from investment properties (Salama Tower and Qbic Plaza )

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

	30 June 2020 (Unaudited)					30 June 2019 (Unaudited)				
	<u>Mall</u>	<u>Hotel</u>	<u>Office</u>	<u>Fund</u>	<u>Total</u>	<u>Mall</u>	<u>Hotel</u>	<u>Office</u>	<u>Fund</u>	<u>Total</u>
<b><u>For the period ended</u></b>										
Revenue	44,398	6,601	12,068	-	63,067	59,977	10,432	-	-	70,409
Operating expense	(9,832)	(6,603)	(253)	(475)	(17,163)	(12,370)	(7,950)	-	(325)	(20,645)
Allowance for impairment in doubtful debts	(1,000)	-	-	-	(1,000)	-	-	-	-	-
Operating profit	33,566	(2)	11,815	(475)	44,904	47,607	2,482	-	(325)	49,764
<b><u>As of</u></b>										
Total assets	1,198,297	169,696	528,682	8,479	1,905,154	1,191,216	186,698	-	52,633	1,430,547
Total liabilities	37,013	5,669	518,639	19,278	580,599	37,147	102	-	10,274	47,523

## **11 FINANCIAL RISK MANAGEMENT**

### **Financial risk factors**

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

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

#### **a. Market risk**

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

#### **b. Currency risk**

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

#### **c. Interest rate risk**

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

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

#### **d. Credit risk**

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

**11 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Financial risk factors (Continued )**

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

Credit risk on receivables and bank balances is limited as:

- Cash balances are held with local banks having sound credit ratings;
- The receivable are shown net of allowance for impairment of gross receivables.
- Financial position of related parties is stable.

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

**e. Liquidity risk**

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

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

**12 FAIR VALUE**

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

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

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

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

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

**Fair values of financial instruments**

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

**12 FAIR VALUE (CONTINUED)**

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

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

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

**13 SUBSEQUENT EVENT**

On 16 August 2020, the Fund Board approved to pay a dividend of SR 17.188 million (SR 0.125 per unit) to Fund 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 2020.

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

These condensed interim financial statements were approved by the Fund Board on 16 August 2020G, corresponding to 26 Dul Hijja 1441H.