

**AL AHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 June 2023  
together with  
**Independent Auditors' Review Report on the  
condensed interim financial statements**

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) AND**  
**INDEPENDENT AUDITOR'S REVIEW REPORT**  
For the six-month period ended 30 June 2023

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## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Unitholders of AlAhli REIT Fund (1) managed by SNB Capital Company (formerly NCB Capital Company)

## Introduction

We have reviewed the accompanying 30 June 2023 condensed interim financial statements of AlAhli REIT Fund (1) (the "Fund"), managed by SNB Capital Company, formerly NCB Capital Company (the "Fund Manager") which comprises:

- the condensed statement of financial position as at 30 June 2023;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023;
- the condensed statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2023;
- the condensed statement of cash flows for the six-month period ended 30 June 2023; 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 and to comply with the applicable provisions of the Real Estate Regulations issued by Capital Market Authority and the Fund's Terms and Conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2023 condensed interim financial statements of AlAhli REIT Fund (1) are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

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

Al Riyadh, 22 Muharram 1445  
Corresponding to: 9 August 2023



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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، منسجمة في المملكة العربية السعودية، رأس ملبها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
As at 30 June 2023  
Expressed in Saudi Riyals '000 (unless otherwise stated)

|  | <i>Note</i> | <b>30 June<br/>2023<br/>(Unaudited)</b> | 31 December<br>2022<br>(Audited) |
|--|-------------|---|----------------------------------|
| <b><u>ASSETS</u></b>                                       |             |   |                                  |
| <b>Current assets</b>                                      |             |   |                                  |
| Cash and cash equivalents                                  |             | 17,093                                  | 9,975                            |
| Investment at fair value through profit or loss            | 5           | 19,039                                  | -                                |
| Receivables from operating leases                          |             | 88,352                                  | 72,134                           |
| Prepayments and other current assets                       |             | 5,121                                   | 3,216                            |
| <b>Total current assets</b>                                |             | <b>129,605</b>                          | <b>85,325</b>                    |
| <b>Non-current asset</b>                                   |             |   |                                  |
| Investment properties                                      | 6           | 1,871,826                               | 1,851,363                        |
| <b>Total non-current assets</b>                            |             | <b>1,871,826</b>                        | <b>1,851,363</b>                 |
| <b>Total assets</b>  |             | <b>2,001,431</b>                        | <b>1,936,688</b>                 |
| <b><u>LIABILITIES</u></b>                                  |             |   |                                  |
| <b>Current liabilities</b>                                 |             |   |                                  |
| Due to related parties                                     | 9           | 36,686                                  | 22,752                           |
| Unearned rental income                                     |             | 35,761                                  | 30,228                           |
| Other liabilities  |             | 11,098                                  | 4,703                            |
| Advances from lessees                                      |             | 15,694                                  | 14,704                           |
| Provision for Zakat  | 8           | 346                                     | 2,154                            |
| <b>Total current liabilities</b>                           |             | <b>99,585</b>                           | <b>74,541</b>                    |
| <b>Non-current liabilities</b>                             |             |   |                                  |
| Borrowings   | 7           | 648,032                                 | 589,203                          |
| <b>Total non-current liabilities</b>                       |             | <b>648,032</b>                          | <b>589,203</b>                   |
| <b>Total liabilities</b>                                   |             | <b>747,617</b>                          | <b>663,744</b>                   |
| <b>Net assets (equity) attributable to the unitholders</b> |             | <b>1,253,814</b>                        | <b>1,272,944</b>                 |
| <b>Units in issue (Numbers in thousands)</b>               |             | <b>137,500</b>                          | <b>137,500</b>                   |
| <b>Net assets (equity) per unit (SAR)</b>                  |             | <b>9.12</b>                             | <b>9.26</b>                      |
| <b>Net assets (equity) per unit fair value (SAR)</b>       | 11          | <b>10.41</b>                            | <b>10.47</b>                     |

  
Fund Manager

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME (UNAUDITED)**  
For the six-month period ended 30 June 2023  
Expressed in Saudi Riyals '000 (unless otherwise stated)

|  | <i>Note</i> | <b>30 June<br/>2023<br/>(Unaudited)</b> | <b>30 June<br/>2022<br/>(Unaudited)</b> |
|--|-------------|---|---|
| Revenue from properties  | 10          | 92,532                                  | 92,613                                  |
| Other income   |             | 14                                      | 56                                      |
| Realized gain on investment at fair value through profit or loss   | 5           | 74                                      | -                                       |
| Unrealized gain on investment at fair value through profit or loss | 5           | 39                                      | 26                                      |
| <b>Total revenue</b>   |             | <b>92,659</b>                           | <b>92,695</b>                           |
| <b>Expenses</b>  |             |   |   |
| Operational expenses   | 10          | (25,013)                                | (20,576)                                |
| Depreciation   | 6           | (11,966)                                | (12,021)                                |
| Impairment loss on receivables against operating leases            | 10          | (3,000)                                 | (2,000)                                 |
| Management fees  |             | (10,450)                                | (10,143)                                |
| Professional fees  |             | (288)                                   | (265)                                   |
| Board fees   |             | (50)                                    | (50)                                    |
| Tadawul fees   |             | (401)                                   | (401)                                   |
| Custody fees   |             | (270)                                   | (267)                                   |
| Shariah fees   |             | (12)                                    | (12)                                    |
| Other expenses   |             | (1,021)                                 | (617)                                   |
| <b>Total operating expenses</b>                                    |             | <b>(52,471)</b>                         | <b>(46,352)</b>                         |
| Operating profit before finance cost and Zakat                     |             | 40,188                                  | 46,343                                  |
| Finance cost   |             | (18,068)                                | (7,520)                                 |
| Operating profit before Zakat                                      |             | 22,120                                  | 38,823                                  |
| Zakat  | 8           | -                                       | (1,000)                                 |
| <b>Profit for the period</b>                                       |             | <b>22,120</b>                           | <b>37,823</b>                           |
| Other comprehensive income for the period                          |             | -                                       | -                                       |
| <b>Total comprehensive income for the period</b>                   |             | <b>22,120</b>                           | <b>37,823</b>                           |
| <b>Earnings per unit</b>   |             |   |   |
| Basic and diluted earnings per unit                                | 12          | <b>0.16</b>                             | <b>0.28</b>                             |

**Fund Manager**

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**  
 (Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)**  
**ATTRIBUTABLE TO THE UNITHOLDERS (UNAUDITED)**  
 For the six-month period ended 30 June 2023  
 Expressed in Saudi Riyals '000 (unless otherwise stated)

|  | <i>Note</i> | <b>30 June<br/>2023<br/>(Unaudited)</b> | 30 June<br>2022<br>(Unaudited) |
|--|-------------|---|--------------------------------|
| Net assets (equity) attributable to the unitholders at beginning of the period |             | 1,272,944                               | 1,303,077                      |
| Total comprehensive income for the period                                      |             | 22,120                                  | 37,823                         |
| Dividend declared during the period  | 13          | (41,250)                                | (48,125)                       |
| Net assets (equity) attributable to the unitholders at end of the period       |             | <u>1,253,814</u>                        | <u>1,292,775</u>               |



**Fund Manager**

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the six-month period ended 30 June 2023  
Expressed in Saudi Riyals '000 (unless otherwise stated)

|  | <i>Note</i> | 30 June<br>2023<br>(Unaudited) | 30 June<br>2022<br>(Unaudited) |
|--|-------------|--------------------------------|--------------------------------|
| <b>Cash flows from operating activities</b>                              |             |                                |                                |
| Profit before Zakat  |             | 22,120                         | 38,823                         |
| <i>Adjustment for non-cash items:</i>                                    |             |                                |                                |
| Depreciation   | 6.2         | 11,966                         | 12,021                         |
| Finance cost   |             | 18,068                         | 7,520                          |
| Impairment loss on receivables against operating leases                  |             | 3,000                          | 2,000                          |
| Gain on investment at fair value through profit or loss                  | 5           | (39)                           | (26)                           |
|  |             | <u>55,115</u>                  | <u>60,338</u>                  |
| <b>Changes in:</b>   |             |                                |                                |
| Receivables against operating leases                                     |             | (19,218)                       | (35,605)                       |
| Prepayments and other current assets                                     |             | (1,905)                        | (2,510)                        |
| Due to related parties   |             | 13,934                         | 17,686                         |
| Unearned rental income   |             | 5,533                          | 7,187                          |
| Other liabilities  |             | 3,429                          | (88)                           |
| Advances from lessees  |             | 990                            | 123                            |
|  |             | <u>57,878</u>                  | <u>47,131</u>                  |
| Zakat paid   |             | (1,808)                        | (2,076)                        |
| <b>Net cash generated from operating activities</b>                      |             | <u>56,070</u>                  | <u>45,055</u>                  |
| <b>Cash flows from investing activities</b>                              |             |                                |                                |
| Additions to investment properties                                       | 6.2         | (29,352)                       | (28,402)                       |
| (Addition) / disposal of investment at fair value through profit or loss | 5           | (19,000)                       | 40,057                         |
| <b>Net cash (used in)/ generated from investing activities</b>           |             | <u>(48,352)</u>                | <u>11,655</u>                  |
| <b>Cash flows from financing activities</b>                              |             |                                |                                |
| Dividend paid  | 13          | (41,250)                       | (48,125)                       |
| Proceeds from loan   |             | 58,557                         | -                              |
| Finance cost paid  |             | (17,907)                       | (4,113)                        |
| <b>Net cash used in financing activities</b>                             |             | <u>(600)</u>                   | <u>(52,238)</u>                |
| <b>Net change in cash and cash equivalents</b>                           |             | <u>7,118</u>                   | <u>4,472</u>                   |
| Cash and cash equivalents at the beginning of the period                 |             | <u>9,975</u>                   | <u>12,176</u>                  |
| <b>Cash and cash equivalents at end of the period</b>                    |             | <u>17,093</u>                  | <u>16,648</u>                  |

  
Fund Manager

The accompanying notes 1 to 19 form an integral part of these condensed interim financial statements.

## **ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**For the six-month period ended 30 June 2023**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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## **1 THE FUND AND ITS ACTIVITIES**

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

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

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

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

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

The terms and conditions of the Fund were approved by CMA on 11 Rabi AlAwwal 1439H (corresponding to 29 November 2017). The offering period for the subscription of the units was from 6 December 2017 to 19 December 2017. Unitholders subscribed for the units of the Fund during the offering period and cash was held in collection account of SNB Capital. The cash was transferred to the bank account of the Fund on its commencement date which was used to purchase the investment properties and units were issued to the unitholders simultaneously. The Fund commenced its activities on 25 December 2017 (the "Inception Date"). On the Inception Date, the Fund issued 137,500 units for SR 1,375 million, which was considered as an initial capital contribution of the Fund.

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

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

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 2023 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 Chartered and Professional 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 2022.



## **ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**For the six-month period ended 30 June 2023**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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## **2 BASIS OF ACCOUNTING (CONTINUED)**

### **2.1 Statement of compliance (continued)**

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 Chartered and Professional 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 Summary of significant accounting policies**

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2022.

### **2.3 Basis of measurement**

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

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

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

### **2.4 Presentation and functional currency**

The presentation and functional currency of the Fund is Saudi Riyals (SAR).

## **3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023, but they do not have a material effect on the Fund's condensed interim financial statements.

### *New currently effective requirements*

- Covid 19 related Rent Concessions beyond 30 June 2022 (Amendments to IFRS 16).
- Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37).
- Annual Improvements to IFRS Standards, 2018-2020.
- Property Plant and Equipment: Proceeds before Intended Use (Amendments to IAS16).
- Reference to Conceptual Framework (Amendments to IFRS 3).

## ALAHLI REIT FUND (1)

(Managed by SNB Capital Company, formerly NCB Capital Company)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2023

Expressed in Saudi Riyals '000 (unless otherwise stated)

## 3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

### *Forthcoming requirement*

- Classification of liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Definition of Accounting Estimate (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

The forthcoming standards will also have no significant impact on the Fund.

## 4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim financial statements requires Fund Manager to make judgement, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the 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.

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

- Provision for expected credit losses on receivables against operating leases
- Useful lives of investment properties
- Determining fair values of investment properties
- Impairment of non-financial assets "Value in use calculation"

The significant judgements made by the Fund Manager in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## 5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

|   | 30 June 2023<br>(Unaudited) |               | 31 December 2022<br>(Audited) |            |
|---|-----------------------------|---------------|-------------------------------|------------|
|   | Cost                        | Fair value    | Cost                          | Fair value |
| <i>Investment in units of a mutual fund managed by the Fund Manager (a related party)</i> |                             |               |                               |            |
| AlAhli Saudi Riyal Trade Fund   | <u>19,000</u>               | <u>19,039</u> | <u>-</u>                      | <u>-</u>   |

During the period, the Fund has recognized a net gain of SR 73,439 (30 June 2022: SR 26,000) from the disposal of these investments. Further, the Fund has also recognized unrealized gain on investment amounting to SR 39,300 in respect of change in fair value of investment through profit and loss.

**ALAHLI REIT FUND (1)**

(Managed by SNB Capital Company, formerly NCB Capital Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****For the six-month period ended 30 June 2023**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES**

6.1 The Fund owns the following investment properties:

| <u>Name of the property</u>                 | <u>Nature of property</u> | <u>Purchase price</u> |
|---|---------------------------|-----------------------|
| AlAndalus Mall, Jeddah (notes 6.1.1, 6.1.2) | Mall                      | 1,195,686             |
| AlAndalus Mall Hotel, Jeddah (note 6.1.1)   | Hotel                     | 200,000               |
| Salama Tower, Jeddah (note 6.1.3)           | Office                    | 255,000               |
| Qbic Plaza, Riyadh (note 6.1.4)             | Office                    | 250,000               |

- 6.1.1 The Fund acquired AlAndalus Mall and AlAndalus Mall Hotel at the Fund's inception against cash consideration of SR 405 million (representing 30% of the total purchase values of SR 1,350 million) and by issuing units in the Fund valuing SR 945 million to AlAndalus Property Company ("APC"), the previous owner.
- 6.1.2 The Fund acquired a land measuring 9,669 square meters adjacent to AlAndalus Mall on 9 November 2020 against cash consideration of SR 45.7 million for the purpose of expanding AlAndalus Mall.
- 6.1.3 The Fund acquired Salama Tower on 4 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.
- 6.1.4 The Fund acquired Qbic Plaza on 22 June 2020 against cash consideration of SR 250 million and financed the acquisition through additional Islamic financing. The property is leased for a net lease amount of SR 21.6 million per annum, for a period of 3 years.
- 6.1.5 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)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

**For the six-month period ended 30 June 2023**  
Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 INVESTMENT PROPERTIES (CONTINUED)**

6.2 At 30 June 2023, 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>Cost:</u>                    | <u>Land</u>      | <u>Buildings</u> | <u>Furniture<br/>&amp; fixture</u> | <u>Computer<br/>&amp; hardware</u> | <u>Office<br/>equipment</u> | <u>Motor<br/>vehicles</u> | <u>*Construction<br/>in progress</u> | <u>Total</u>     |
|---------------------------------|------------------|------------------|------------------------------------|------------------------------------|-----------------------------|---------------------------|--------------------------------------|------------------|
| Balance at 1 January 2023       | 1,015,293        | 899,148          | 9,015                              | 2,117                              | 7,277                       | 33                        | 54,431                               | 1,987,314        |
| Additions during the period     | -                | -                | -                                  | -                                  | -                           | -                         | 32,429                               | 32,429           |
| Balance at 30 June 2023         | <u>1,015,293</u> | <u>899,148</u>   | <u>9,015</u>                       | <u>2,117</u>                       | <u>7,277</u>                | <u>33</u>                 | <u>86,860</u>                        | <u>2,019,743</u> |
| <u>Accumulated depreciation</u> |                  |                  |                                    |                                    |                             |                           |                                      |                  |
| Balance at 1 January 2023       | -                | (124,450)        | (5,215)                            | (1,117)                            | (5,154)                     | (15)                      | -                                    | (135,951)        |
| Depreciation during the period  | -                | (11,212)         | (432)                              | (111)                              | (208)                       | (3)                       | -                                    | (11,966)         |
| Balance at 30 June 2023         | -                | <u>(135,662)</u> | <u>(5,647)</u>                     | <u>(1,228)</u>                     | <u>(5,362)</u>              | <u>(18)</u>               | <u>-</u>                             | <u>(147,917)</u> |
| <b>Net book value at</b>        |                  |                  |                                    |                                    |                             |                           |                                      |                  |
| <b>30 June 2023 (Unaudited)</b> | <u>1,015,293</u> | <u>763,486</u>   | <u>3,368</u>                       | <u>889</u>                         | <u>1,915</u>                | <u>15</u>                 | <u>86,860</u>                        | <u>1,871,826</u> |
| Net book value at               |                  |                  |                                    |                                    |                             |                           |                                      |                  |
| 31 December 2022 (Audited)      | <u>1,015,293</u> | <u>774,698</u>   | <u>3,800</u>                       | <u>1,000</u>                       | <u>2,123</u>                | <u>18</u>                 | <u>54,431</u>                        | <u>1,851,363</u> |

\*The construction in progress relates to construction works at AlAndalus Mall. This includes capitalized borrowing cost amounted to SR 3,075,942 as at 30 June 2023 (31 December 2022: SR 2,459,539).

AlAndalus Mall and AlAndalus Mall Hotel is pledged against the Islamic Financing Facility obtained from SNB Bank amounting to SR 650 million. The carrying values of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,390 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 who determined the market values in conformity with the International Valuation Standards Council's International Valuation Standards. 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.

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**6 INVESTMENT PROPERTIES (CONTINUED)****6.3 Market values**

6.3.1 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 2023      | As at 31 December 2022 |
| <b>Evaluator: ESNAD / ValuStrat *</b>       |                       |   |                         |                        |
| AlAndalus Mall                              | Discounted cash flows | Discount rate: 10%<br>Exit yield rate: 8%       | <b>1,353,029</b>        | 1,346,500              |
| AlAndalus Mall Hotel                        | Discounted cash flows | Discount rate: 11%<br>Exit yield rate: 8%       | <b>150,280</b>          | 156,000                |
| Salama Tower                                | Discounted cash flows | Discount rate: 10%<br>Exit yield rate: 9%       | <b>267,394</b>          | 246,000                |
| Qbic Plaza                                  | Discounted cash flows | Discount rate: 10%<br>Exit yield rate: 8%       | <b>269,185</b>          | 252,000                |
|   |                       |   | <b><u>2,039,888</u></b> | <u>2,000,500</u>       |
| <b>Evaluator: Deloitte / Knight Frank *</b> |                       |   |                         |                        |
| AlAndalus Mall                              | Discounted cash flows | Discount rate: 10.25%<br>Exit yield rate: 8.25% | <b>1,383,000</b>        | 1,390,885              |
| AlAndalus Mall Hotel                        | Discounted cash flows | Discount rate: 8.50%<br>Exit yield rate: 8%     | <b>139,000</b>          | 133,100                |
| Salama Tower                                | Discounted cash flows | Discount rate: 8.5%<br>Exit yield rate: 9%      | <b>274,000</b>          | 242,820                |
| Qbic Plaza                                  | Discounted cash flows | Discount rate: 8.5%<br>Exit yield rate: 9%      | <b>263,000</b>          | 266,180                |
|   |                       |   | <b><u>2,059,000</u></b> | <u>2,032,985</u>       |

\*Fair valuations as at 31 December 2022 was performed by ValuStrat and Knight Frank. The Fund Manager has changed its valuers from ValuStrat to ESNAD and Knight Frank to Deloitte for valuations performed as at 30 June 2023. For AlAndalus Mall hotel, the Fund Manager additionally engaged ESNAD to value the property as at 31 December 2022 which amounted to SR 148.71 million.

The average fair value measurements of investment properties have been categorized as level 3 fair values based on inputs to the valuation techniques used.

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**6 INVESTMENT PROPERTIES (CONTINUED)**

The table shows the breakdown as at 30 June 2023 and 31 December 2022:

|                       | <b>Average fair value measurement at 30 June 2023</b>                           |  |  |
|-----------------------|---|--|--|
|                       | Using quoted prices<br>from active markets<br>for identical<br>assets (level 1) | Other observable<br>key inputs (level 2) | Other unobservable<br>key inputs (level 3) |
| Investment properties | -   | -  | <b>2,049,444</b>                           |
|                       | <b>Average fair value measurement at 31 December 2022</b>                       |  |  |
|                       | Using quoted prices<br>from active markets<br>for identical<br>assets (level 1) | Other observable<br>key inputs (level 2) | Other unobservable<br>key inputs (level 3) |
| Investment properties | -   | -  | <b>2,018,128</b>                           |

**7 BORROWINGS**

|   | <b>30 June<br/>2023<br/>(Unaudited)</b> | 31 December<br>2022<br>(Audited) |
|---|---|----------------------------------|
| Opening balance                                     | <b>589,203</b>                          | 558,728                          |
| Financing facility utilized during the period/ year | <b>58,557</b>                           | 29,775                           |
| Amortization of loan arrangement fee                | <b>272</b>                              | 700                              |
| Closing balance                                     | <b>648,032</b>                          | 589,203                          |

On 7 November 2018, the Fund signed an agreement of Islamic financing facility of SAR 650 million with Saudi National Bank (SNB) (formerly known as NCB).

The Fund's properties are held under the custody of Sandooq Tamkeen Real Estate Company ("SPV"). AlAndalus Mall and AlAndalus Mall Hotel is pledged against the Islamic Financing Facility obtained from SNB Bank.

On 1 August 2019, the Fund utilized SAR 255 million as the first tranche from the Islamic financing facility. During the year 2020, the Fund utilized SAR 263 million as the Second tranche from the Islamic financing facility. During the year 2021, the Fund utilized further SAR 43 million. During the year 2022, the Fund utilized further SAR 30 million. During the current period, the Fund utilized further SAR 58.5 million. The unutilized balance as at 30 June 2023 is nil (31 December 2022: SAR 59 million). The tenor of Islamic financing facility is 15 years where the first payment is due on 30 June 2026. Accordingly, the whole balance is disclosed as non-current.

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**8 ZAKAT**

Zakat provision movement is as follows:

|                                       | <b>30 June<br/>2023<br/>(Unaudited)</b> | 31 December<br>2022<br>(Audited) |
|---------------------------------------|---|----------------------------------|
| Opening balance                       | 2,154                                   | 2,230                            |
| Charge for the period/ year           | -                                       | 2,000                            |
| Payments made during the period/ year | <b>(1,808)</b>                          | <b>(2,076)</b>                   |
| Closing balance                       | <b><u>346</u></b>                       | <b><u>2,154</u></b>              |

Owing to the recent changes in the investment funds' regulation with respect to filing of Zakat returns, the Fund Manager has opted to file information returns only from 1 January 2023 wherein Zakat obligation will be borne by the unitholders.

**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:

| <u>Name of entity</u>                             | <u>Relationship</u>             |
|---|---------------------------------|
| SNB Capital Company, formerly NCB Capital Company | Fund Manager and Unitholder     |
| Saudi National Bank (SNB)                         | Shareholder of the Fund Manager |
| AlAndalus Property Company (APC)                  | Unitholder & Mall Operator      |

Fund management fee

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

Agency fee and property management fee

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

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

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

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

| <u>Related party</u>                              | <u>Nature of transactions</u>        | <b>30 June<br/>2023<br/>(Unaudited)</b> | <b>30 June<br/>2022<br/>(Unaudited)</b> |
|---|--------------------------------------|---|---|
| AlAndalus Property Company                        | Rent collected on behalf of the Fund | <b>3,644</b>                            | 783                                     |
|   | Payments made to APC                 | <b>34,970</b>                           | 28,972                                  |
|   | Parking and development fee          | <b>33,387</b>                           | 32,110                                  |
|   | Payment made on behalf of Hotel      | <b>897</b>                              | -                                       |
|   | Miscellaneous expenses               | <b>1,070</b>                            | 85                                      |
|   | Management fee charged               | <b>6,456</b>                            | 4,815                                   |
|   | Agency fees charged                  | <b>288</b>                              | 288                                     |
| SNB Capital Company, formerly NCB Capital Company | Management fees charged              | <b>10,450</b>                           | 10,143                                  |
| Saudi National Bank                               | Service fees charged                 | <b>30</b>                               | 7                                       |
|   | Loan arrangement fees charged        | <b>509</b>                              | -                                       |
|   | Payments made                        | <b>539</b>                              | 7                                       |

The significant transactions with Key management personnel are:

| <u>Key management personnel</u> | <u>Nature of transactions</u> | <b>30 June<br/>2023<br/>(Unaudited)</b> | <b>30 June<br/>2022<br/>(Unaudited)</b> |
|---------------------------------|-------------------------------|---|---|
| Key management personnel        | Board fee                     | <b>50</b>                               | 50                                      |

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

***Due to related parties***

| <u>Related party</u>                      | <b>30 June<br/>2023<br/>(Unaudited)</b> | <b>31 December<br/>2022<br/>(Audited)</b> |
|---|---|---|
| SNB Capital, formerly NCB Capital Company | <b>20,646</b>                           | 10,196                                    |
| AlAndalus Property Company                | <b>16,040</b>                           | 12,556                                    |
|   | <b><u>36,686</u></b>                    | <b><u>22,752</u></b>                      |



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

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

Retail Sector (mall): This includes AlAndalus Mall.  
 Hospitality Sector (hotel): This includes AlAndalus Mall Hotel.  
 Offices Sector (office): This includes Salama Tower and Qbic Plaza.

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

| <b>For the period ended</b>                             | <b>30 June 2023</b> |                |                | <b>30 June 2022</b>     |                |                |               |                  |  |
|---|---------------------|----------------|----------------|-------------------------|----------------|----------------|---------------|------------------|--|
|   | <b>Mall</b>         | <b>Hotel</b>   | <b>Office</b>  | <b>Total</b>            | <b>Mall</b>    | <b>Hotel</b>   | <b>Office</b> | <b>Total</b>     |  |
| Revenue from properties                                 | 62,157              | 7,869          | 22,506         | 92,532                  | 62,985         | 7,122          | 22,506        | 92,613           |  |
| Operational expenses                                    | (17,045)            | (7,375)        | (593)          | (25,013)                | (13,320)       | (7,040)        | (216)         | (20,576)         |  |
| Depreciation  | (5,324)             | (2,215)        | (4,427)        | (11,966)                | (5,303)        | (2,291)        | (4,427)       | (12,021)         |  |
| Impairment loss on receivables against operating leases | (3,000)             | -              | -              | (3,000)                 | (2,000)        | -              | -             | (2,000)          |  |
| <b>As of</b>  | <b>30 June 2023</b> |                |                | <b>31 December 2022</b> |                |                |               |                  |  |
|   | <b>(Unaudited)</b>  |                |                | <b>(Audited)</b>        |                |                |               |                  |  |
| Total assets  | <b>1,326,795</b>    | <b>149,696</b> | <b>505,495</b> | <b>1,981,986</b>        | <b>145,320</b> | <b>499,607</b> | <b>3,754</b>  | <b>1,936,688</b> |  |
| Total liabilities                                       | <b>206,081</b>      | <b>2,496</b>   | <b>515,739</b> | <b>724,316</b>          | <b>1,779</b>   | <b>513,640</b> | <b>12,910</b> | <b>663,744</b>   |  |

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

|  | <b>30 June<br/>2023<br/>(Unaudited)</b> | 31 December<br>2022<br>(Audited) |
|--|---|----------------------------------|
| Fair value of investment properties  | 2,049,444                               | 2,018,128                        |
| Less: Carrying value of investment properties                                | <u>(1,871,826)</u>                      | <u>(1,851,363)</u>               |
| Increase in net assets (equity)  | <u>177,618</u>                          | <u>166,765</u>                   |
| Units in issue in thousands (number)   | <u>137,500</u>                          | <u>137,500</u>                   |
| Additional net assets (equity) per unit based on fair value                  | <u><u>1.29</u></u>                      | <u><u>1.21</u></u>               |
| Net assets (equity) attributable to unitholders before fair value adjustment | 1,253,814                               | 1,272,944                        |
| Increase in net assets (equity)  | <u>177,618</u>                          | <u>166,765</u>                   |
| Net assets (equity) attributable to unitholders after fair value adjustment  | <u><u>1,431,432</u></u>                 | <u><u>1,439,709</u></u>          |
| <b><u>Net assets attributable to each unit</u></b>                           |   |                                  |
| Net assets (equity) per unit (SAR) before fair value adjustment              | 9.12                                    | 9.26                             |
| Increase in net assets (equity) per unit (SAR) based on fair value           | <u>1.29</u>                             | <u>1.21</u>                      |
| Net assets (equity) attributable to unitholders after fair value adjustment  | <u><u>10.41</u></u>                     | <u><u>10.47</u></u>              |

**12 EARNINGS PER UNIT – BASIC AND DILUTED**

Basic and diluted earnings per unit is calculated by dividing the profit for the period attributable to the unitholders of the Fund by the weighted average number of ordinary units outstanding during the period.

|  | <b>30 June<br/>2023<br/>(Unaudited)</b> | 30 June<br>2022<br>(Unaudited) |
|--|---|--------------------------------|
| Net profit for the period                                      | <u>22,120</u>                           | <u>37,823</u>                  |
| Weighted average number of outstanding ordinary units (units)* | <u>137,500</u>                          | <u>137,500</u>                 |
| Basic and diluted earnings per unit                            | <u><u>0.16</u></u>                      | <u><u>0.28</u></u>             |

The diluted earnings per unit are equal to the basic earnings per unit as there are no instruments with reduced earnings per unit.

**13 DIVIDEND DISTRIBUTION**

On 9 March 2023, the Fund Board approved to pay a dividend of SR 41.250 million (i.e. SR 0.30 per unit) to the Fund's unitholders. The dividend has been paid subsequent to the announcement.

## ALAHLI REIT FUND (1)

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### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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## 14 FINANCIAL RISK MANAGEMENT

### Financial risk factors

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

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

#### a. Market risk

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

#### 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. Commission rate risk

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

The Fund's commission rate risks arise mainly from its borrowings 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 certain other receivable balances.

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;
- 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.

## **ALAHLI REIT FUND (1)**

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#### **14 FINANCIAL RISK MANAGEMENT (CONTINUED)**

##### **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.

#### **15 FAIR VALUE**

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

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

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

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

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

##### **Fair values of financial instruments**

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

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

- The Fund's 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.

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**15 FAIR VALUE (CONTINUED)**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. All other current assets and current liabilities are carried at amortized cost which is a reasonable approximation of their fair values.

|                              | <u>Carrying amount</u>              | <u>Fair value</u> |                |                |
|------------------------------|-------------------------------------|-------------------|----------------|----------------|
|                              | <u>Designated at<br/>fair value</u> | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> |
| <b>30 June 2023</b>          |                                     |                   |                |                |
| Financial instruments- FVTPL | <u>19,039</u>                       | <u></u>           | <u>19,039</u>  | <u></u>        |
| <b>31 December 2022</b>      |                                     |                   |                |                |
| Financial instruments- FVTPL | <u>-</u>                            | <u>-</u>          | <u>-</u>       | <u>-</u>       |

**16 CAPITAL COMMITMENT**

On 15 December 2021, the Fund has entered into a contract to develop parking building and mall extension area at AlAndalus Mall located in Jeddah. As of the reporting date, the construction work is still in progress and pending commitment amounted to SR 44 million.

**17 SUBSEQUENT EVENT**

No matter has occurred up to and including the date of the approval of financial statements by the Fund Board which could materially affect these condensed interim financial statements and the related disclosures for the period ended 30 June 2023.

**18 LAST VALUATION DAY**

The last valuation day for the period was 30 June 2023.

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

These condensed interim financial statements were approved by the Fund's Board on 22 Muharram 1445H (corresponding to 9 August 2023).