

**ALAHLI REIT FUND (1)**  
(Managed by SNB Capital Company, formerly NCB Capital Company)  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the six month period ended 30 June 2024  
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 2024

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## KPMG Professional Services

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## كي بي إم جي للاستشارات المهنية

واجهة روشن، 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 AIAhli REIT Fund (1) managed by SNB Capital Company (formerly NCB Capital Company)

## Introduction

We have reviewed the accompanying 30 June 2024 condensed interim financial statements of AIAhli REIT Fund (1) (the Fund), managed by SNB Capital Company (formerly NCB Capital Company) which comprises:

- the condensed statement of financial position as at 30 June 2024;
- the condensed statement of profit or loss and other comprehensive income for the six-month periods ended 30 June 2024;
- the condensed statement of changes in net assets (equity) attributable to the Unitholders for the six-month period ended 30 June 2024;
- the condensed statement of cash flows for the six-month period ended 30 June 2024; 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 condensed interim financial statements 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 2024 condensed interim financial statements of AIAhli 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

الإبراهيم

Ebrahim Oboud Baeshen  
License Number: 382



Al Riyadh on: 4 Safar 1446H  
Corresponding to: 8 August 2024

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاء محاسبين ومرجعون 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 2024**  
Expressed in Saudi Riyals ‘000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash and cash equivalents		9,294	12,149
Investment at fair value through profit or loss	4	3,121	-
Operating lease receivables	5	66,575	65,555
Due from a related party	9	3,369	-
Prepayments and other current assets		10,310	4,356
<b>Total current assets</b>		<b>92,669</b>	<b>82,060</b>
<b>Non-current asset</b>			
Properties	6	1,923,898	1,903,261
<b>Total non-current assets</b>		<b>1,923,898</b>	<b>1,903,261</b>
<b>Total assets</b>		<b>2,016,567</b>	<b>1,985,321</b>
<b><u>LIABILITIES</u></b>			
<b>Current liabilities</b>			
Due to related parties	9	45,163	31,229
Unearned rentals		46,425	41,584
Other liabilities		19,734	7,807
Security deposits		6,383	5,756
Provision for Zakat	8	345	345
<b>Total current liabilities</b>		<b>118,050</b>	<b>86,721</b>
<b>Non-current liabilities</b>			
Security deposits		-	720
Borrowings	7	680,215	660,005
<b>Total non-current liabilities</b>		<b>680,215</b>	<b>660,725</b>
<b>Total liabilities</b>		<b>798,265</b>	<b>747,446</b>
<b>Net assets (equity) attributable to the unitholders</b>		<b>1,218,302</b>	<b>1,237,875</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>8.86</b>	<b>9.00</b>
<b>Net assets (equity) per unit fair value (SAR)</b>	11	<b>10.04</b>	<b>10.28</b>

**Fund Manager**

The accompanying notes 1 to 18 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 2024**  
Expressed in Saudi Riyals ‘000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2024 (Unaudited)</b>	30 June 2023 (Unaudited)
Rental revenue from investment properties		<b>81,223</b>	84,663
Revenue from hotel operations		<b>10,326</b>	7,869
Gain on investments at fair value through profit or loss	4	<u>77</u>	<u>113</u>
<b>Total income</b>		<b>91,626</b>	92,645
<b>Expenses</b>			
Operational expenses		<b>(26,420)</b>	(25,013)
Depreciation	6	<b>(12,065)</b>	(11,966)
Impairment loss on receivables against operating leases		<b>(6,500)</b>	(3,000)
Management fees		<b>(10,304)</b>	(10,436)
Professional fees		<b>(270)</b>	(288)
Board fees		<b>(50)</b>	(50)
Tadawul fees		<b>(401)</b>	(401)
Custody fees		<b>(262)</b>	(270)
Shariah fees		<b>(12)</b>	(12)
Other expenses		<b>(961)</b>	(1,021)
Total operating expenses		<b>(57,245)</b>	(52,457)
<b>Operating profit before finance cost and Zakat</b>		<b>34,381</b>	40,188
Finance cost	12	<b>(19,579)</b>	(18,068)
<b>Operating profit before Zakat</b>		<b>14,802</b>	22,120
Zakat	8	<b>-</b>	-
<b>Profit for the period</b>		<b>14,802</b>	22,120
<b>Other comprehensive income for the year</b>		<b>-</b>	-
<b>Increase in net assets attributable to unitholders</b>		<b>14,802</b>	22,120
<b>Weighted average units outstanding (Numbers in thousands)</b>		<b>137,500</b>	137,500
<b>Earnings per unit (Basic and diluted)</b>	13	<b>0.11</b>	0.16

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**Fund Manager**

The accompanying notes 1 to 18 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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2024 (Unaudited)</b>	30 June 2023 (Unaudited)
Net assets (equity) attributable to the unitholders at beginning of the period		<b>1,237,875</b>	1,272,944
Total comprehensive income for the period		<b>14,802</b>	22,120
Dividend declared during the period	<i>14</i>	<b>(34,375)</b>	(41,250)
Net assets (equity) attributable to the unitholders at end of the period		<b><u>1,218,302</u></b>	<u>1,253,814</u>

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**Fund Manager**

The accompanying notes 1 to 18 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 2024**  
Expressed in Saudi Riyals '000 (unless otherwise stated)

	<i>Note</i>	<b>30 June 2024 (Unaudited)</b>	30 June <u>2023</u> (Unaudited)
<b>Cash flows from operating activities</b>			
Profit before Zakat		14,802	22,120
<i>Adjustment for non-cash items:</i>			
Depreciation	6.2	12,065	11,966
Finance cost		19,579	18,068
Impairment loss on receivables against operating leases		6,500	3,000
Gain on investment at fair value through profit or loss	4	(77)	(39)
		<u>52,869</u>	<u>55,115</u>
<b>Changes in:</b>			
Receivables against operating leases		(7,520)	(19,218)
Due from related party		(3,369)	-
Prepayments and other current assets		(5,988)	(1,905)
Due to related parties		13,934	13,934
Unearned rental income		4,841	5,533
Other liabilities		11,927	3,429
Advances from lessees		(93)	990
		<u>66,601</u>	<u>57,878</u>
Zakat paid		-	(1,808)
<b>Net cash generated from operating activities</b>		<u>66,601</u>	<u>56,070</u>
<b>Cash flows from investing activities</b>			
Additions to investment properties	6.2	(26,562)	(29,352)
Addition of investment at fair value through profit or loss	4	(3,000)	(19,000)
<b>Net cash used in investing activities</b>		<u>(29,562)</u>	<u>(48,352)</u>
<b>Cash flows from financing activities</b>			
Dividend paid	14	(34,375)	(41,250)
Proceeds from loan		20,210	58,557
Finance cost paid		(25,729)	(17,907)
<b>Net cash used in financing activities</b>		<u>(39,894)</u>	<u>(600)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,855)</b>	7,118
Cash and cash equivalents at the beginning of the period		<u>12,149</u>	<u>9,975</u>
<b>Cash and cash equivalents at end of the period</b>		<u><u>9,294</u></u>	<u><u>17,093</u></u>

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**Fund Manager**

The accompanying notes 1 to 18 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 2024**

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”), for the benefit of the Fund’s unitholders. The Fund is ultimately supervised by the Fund Board.

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 aims to 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 2024 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 2023.

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.



## **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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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

### **2.2 Summary of material 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 2023.

### **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.

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

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

### **2.5 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 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.

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 and hotel property
- Determining fair values of investment properties and hotel property
- Impairment assessment of non-financial assets

## **3 NEWLY ISSUED FINANCIAL REPORTING PRONOUNCEMENTS**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024, but they do not have a material effect on the Fund's condensed interim financial statements. Certain other forthcoming accounting pronouncements not yet effective are also not expected to have a material impact on the Fund.

**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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

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

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

	<b>30 June 2024</b>		<b>31 December 2023</b>	
	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Cost</b>	<b>Fair value</b>	<b>Cost</b>	<b>Fair value</b>
<i>Investment in units of an investment fund managed by the Fund Manager (a related party)</i>				
Al Ahli Saudi Riyal Trade Fund	<u>3,000</u>	<u>3,121</u>	<u>-</u>	<u>-</u>

During the period, the Fund has recognized gain of SR 77,381 (30 June 2023: SR 73,439) related to investment through profit and loss.

**5 OPERATING LEASE RECEIVABLES**

Operating lease receivables comprise of the following:

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Receivables from operating leases	96,555	89,035
Less: Impairment loss on receivables from operating leases	<u>(29,980)</u>	<u>(23,480)</u>
Receivables from operating leases – net	<u>66,575</u>	<u>65,555</u>

**The movement in impairment loss on receivables from operating leases is as follows:**

	<b>2024</b>	<b>2023</b>
Opening balance	23,480	19,866
Charge for the year	6,500	8,500
Write offs during the year	<u>-</u>	<u>(4,886)</u>
Closing balance	<u>29,980</u>	<u>23,480</u>

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at:

	<b>Weighted average loss rate (%)</b>	<b>Gross carrying amount</b>	<b>Impairment allowance</b>
<b>30 June 2024</b>			
0-30 Days	18.4%	24,473	4,503
31-60 Days	23.9%	6,961	1,664
61-90 Days	26.1%	6,575	1,716
More than 90	37.7%	58,546	22,097
<b>Total</b>		<u>96,555</u>	<u>29,980</u>

**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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**5 OPERATING LEASE RECEIVABLES (CONTINUED)**

	Weighted average loss rate (%)	Gross carrying amount	Impairment allowance
<u>31 December 2023</u>			
0-30 Days	3.21%	12,070	388
31-60 Days	6.52%	9,276	605
61-90 Days	10.27%	6,738	692
More than 90	35.76%	60,951	21,795
Total		<u>89,035</u>	<u>23,480</u>

**6 PROPERTIES**

6.1 The Fund owns the following 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. The lease was renewed on similar terms for a period of additional 3 years.

6.1.5 The Fund's properties are held under the custody of Sandoq 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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 PROPERTIES (CONTINUED)**

6.2 At 30 June 2024, 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 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>Motor vehicles</u>	<u>*Construction in progress</u>	<u>Total</u>
<b><u>Cost:</u></b>								
Balance at 1 January 2024	1,015,293	903,492	9,015	2,117	7,277	119	125,877	2,063,190
Additions during the period	-	-	-	-	-	-	32,702	32,702
Balance at 30 June 2024	<u>1,015,293</u>	<u>903,492</u>	<u>9,015</u>	<u>2,117</u>	<u>7,277</u>	<u>119</u>	<u>158,579</u>	<u>2,095,892</u>
<b><u>Accumulated depreciation</u></b>								
Balance at 1 January 2024	-	(146,928)	(6,067)	(1,339)	(5,571)	(24)	-	(159,929)
Depreciation during the period	-	(11,321)	(413)	(111)	(208)	(12)	-	(12,065)
Balance at 30 June 2024	<u>-</u>	<u>(158,249)</u>	<u>(6,480)</u>	<u>(1,450)</u>	<u>(5,779)</u>	<u>(36)</u>	<u>-</u>	<u>(171,994)</u>
<b>Net book value at 30 June 2024 (Unaudited)</b>	<u>1,015,293</u>	<u>745,243</u>	<u>2,535</u>	<u>667</u>	<u>1,498</u>	<u>83</u>	<u>158,579</u>	<u>1,923,898</u>
Net book value at 31 December 2023 (Audited)	<u>1,015,293</u>	<u>756,564</u>	<u>2,948</u>	<u>778</u>	<u>1,706</u>	<u>95</u>	<u>125,877</u>	<u>1,903,261</u>

\*The construction in progress relates to construction works at AlAndalus Mall. This includes capitalized borrowing cost amounted to SR 6,140 as at 30 June 2024 (31 December 2023: SR 8,210).

AlAndalus Mall and AlAndalus Mall Hotel is pledged against the Islamic Financing Facility obtained from SNB Bank amounting to SR 760 million. The carrying values of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,451 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. 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 a permissible accounting treatment under the IFRS.

**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 2024**

Expressed in Saudi Riyals '000 (unless otherwise stated)

**6 PROPERTIES (CONTINUED)**

6.3 The hotel is operated by Hilton Worldwide Manage Limited under a management contract however, the Fund retains significant exposure to the variation in cash flows from operating the hotel.

**6.4 Fair values**

6.4.1 The assumptions used in determining the fair values of the properties are as follows:

Description	Valuation approach	Key assumptions	Fair Value	
			As at 30 June 2024	As at 31 December 2023
<b>Evaluator: ESNAD /ESNAD *</b>				
AlAndalus Mall	Discounted cash flows	Discount rate: 10% (2023: 10%) Exit yield rate: 8% (2023: 8%) Occupancy rate: 94% (2023: 94%)	<b>1,386,064</b>	1,391,369
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11% (2023:11%) Exit yield rate: 8% (2023: 8%) Occupancy rate: 60% (2023: 60%)	<b>151,591</b>	151,191
Salama Tower	Discounted cash flows	Discount rate: 10% (2023:10%) Exit yield rate: 8.5% (2023:8.5%)	<b>279,679</b>	272,591
Qbic Plaza	Discounted cash flows	Discount rate: 10% (2023: 10%) Exit yield rate: 8% (2023: 8%)	<b>270,735</b>	270,735
			<b><u>2,088,069</u></b>	<b><u>2,085,886</u></b>
<b>Evaluator: QIAM * / Deloitte</b>				
AlAndalus Mall	Discounted cash flows	Discount rate:9 % (2023: 10.5%) Exit yield rate:8 % (2023: 8.5%) Occupancy rate94% (2023: 94%)	<b>1,364,900</b>	1,395,000
AlAndalus Mall Hotel	Discounted cash flows	Discount rate:10% (2023: 8.5%) Exit yield rate:8% (2023 : 8%) Occupancy rate60% (2023: 60%)	<b>159,000</b>	140,000
Salama Tower	Discounted cash flows	Discount rate:9% (2023 : 11%) Exit yield rate:8 % (2023 : 9%)	<b>282,988</b>	273,000
Qbic Plaza	Discounted cash flows	Discount rate:9% (2023 : 10%) Exit yield rate: 7.5% (2023 : 8%)	<b>278,680</b>	264,000
			<b><u>2,085,568</u></b>	<b><u>2,072,000</u></b>

\*Fair valuations as at 31 December 2023 was performed by “ESNAD” and “Deloitte”. Fair valuations as at 30 June 2024 was performed by “QIAM” and “ESNAD” having TAQEEM membership number of 1210000934 and 1210000052 respectively. The valuers have appropriate qualifications and experience in the valuation of properties at the relevant locations and adhere to the Saudi Authority of Accredited Valuer (TAQEEM).

The average fair value measurements of properties have been categorized as level 3 fair values based on inputs to the valuation techniques used. The table shows the breakdown as at 30 June 2024 and 31 December 2023:

	Average fair value measurement at 30 June 2024		
	Level 1	Level 2	Level 3
Properties	-	-	<b>2,086,818</b>
	Average fair value measurement at 31 December 2023		
Properties	-	-	<b>2,078,943</b>

**ALAHLI REIT FUND (1)**

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

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**7 BORROWINGS**

	<b>30 June 2024 (Unaudited)</b>	31 December 2023 (Audited)
Opening balance	<b>660,005</b>	589,203
Financing facility utilized during the period/ year	<b>19,850</b>	70,468
Amortization of loan arrangement fee	<b>360</b>	334
Closing balance	<b><u>680,215</u></b>	<u>660,005</u>

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 transferred the title deed of properties, Al Andalus Mall and Al Andalus Mall Hotel, in favour of Real Estate Development Company for Management and Ownership, a fully owned subsidiary of the SNB as a security against the Islamic financing facility.

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 year 2023, the Fund utilized further SAR 71 million. During the current period, the Fund utilized further SAR 20 million. The unutilized balance as at 30 June 2024 is SAR 78 million (31 December 2023: SAR 98 million).

Initially, the tenor of Islamic financing facility was 15 years where the first payment was due on 30 June 2026. The Islamic financing facility provides 5 years grace period during which only profit payments are to be made. Following the grace period, the principal amount shall be repaid over 10 years on a quarterly basis. The Islamic financing facility carries commission rate of SAIBOR plus 1.75% per annum.

On 6 April 2023, the Fund signed an amendment of its agreement of Islamic financing facility changing the financing facility type to Murabaha from Ijarah. The Islamic financing facility carries commission rate of SAIBOR plus a margin per annum and the term has been revised and now the whole outstanding balance will be due in July 2026. Accordingly, the whole balance is disclosed as non-current.

Further on 5 October 2023, the Fund signed another amendment of its agreement of Islamic financing facility wherein facility amount has been increased to SAR 760 million instead of SAR 650 million.

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**8 ZAKAT**

Zakat provision movement is as follows:

	<b>30 June 2024 (Unaudited)</b>	31 December <u>2023</u> (Audited)
Opening balance	345	2,154
Charge for the period/ year	-	-
Payments made during the period/ year	-	(1,809)
Closing balance	<u>345</u>	<u>345</u>

*Zakat assessment status*

The Fund has filed its Zakat returns with the Zakat, Tax and Customs Authority for the years up till 2022 and assessments have been finalized till 2022. The Fund had been paying zakat on a voluntary basis in the prior years. Due to change in regulation, from the year 2023 and onwards, the Fund will only be submitting an information declaration with ZATCA, showing the Zakat calculation to be paid 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
Saudi National Bank (SNB)	Shareholder of the Fund Manager
AlAndalus Property Company (APC)	Unitholder & Mall Operator
Hilton Worldwide Manage Limited	Hotel 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. 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.

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

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.

<u>Related party</u>	<u>Nature of transactions</u>	<u>30 June 2024 (Unaudited)</u>	<u>30 June 2023 (Unaudited)</u>
AlAndalus Property Company	Rent collected on behalf of the Fund	3,441	3,644
	Payments made to APC	18,000	34,970
	Parking and development fee	26,875	33,387
	Payment made on behalf of Hotel	1,817	897
	Miscellaneous expenses	227	1,070
	Management fee charged	6,394	6,456
	Agency fees charged	288	288
SNB Capital Company, formerly NCB Capital Company	Management fees charged	10,314	10,450
	Payments made	10,450	-
Saudi National Bank	Service fees charged	-	30
	Loan arrangement fees charged	150	509
	Payments made	240	539
Hilton Worldwide Manage Limited	Expenses paid on behalf	3,369	-

The significant transactions with Key management personnel are:

<u>Key management personnel</u>	<u>Nature of transaction</u>	<u>2024</u>	<u>2023</u>
Key management personnel	Board fee	50	50

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

***Due from a related party***

<u>Related party</u>	<u>30 June 2024 (Unaudited)</u>	<u>31 December 2023 (Audited)</u>
Hilton Hotels and Resorts	3,369	-

***Due to related parties***

<u>Related party</u>	<u>30 June 2024 (Unaudited)</u>	<u>31 December 2023 (Audited)</u>
SNB Capital, formerly NCB Capital Company	20,719	20,854
AlAndalus Property Company	24,444	10,285
SNB	-	90
	<u>45,163</u>	<u>31,229</u>



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**10 SEGMENT REPORTING**

The Fund has four reportable segments, as described below, which are the Fund's strategic business units. These strategic business units offer different services, and are managed separately because they require different management and marketing strategies. For each of the strategic business units, the Fund Manager reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Fund's reportable segments:

<b>Retail Sector</b>	This comprises of AlAndalus Mall.
<b>Hospitality Sector</b>	This comprises of AlAndalus Mall Hotel.
<b>Offices Sector</b>	This comprises of Salama Tower and Qbic Plaza.
<b>Fund's operations</b>	This represents the Fund's administrative activities.

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

<b>For the period ended</b>	<b>30 June 2024</b>					<b>30 June 2023</b>				
	<b>(Unaudited)</b>					<b>(Unaudited)</b>				
	<b>Retail</b>	<b>Hospitality</b>	<b>Offices</b>	<b>Fund Operations</b>	<b>Total</b>	<b>Retail</b>	<b>Hospitality</b>	<b>Offices</b>	<b>Fund Operations</b>	<b>Total</b>
Revenue from properties	58,655	10,326	22,568	-	91,549	62,157	7,869	22,506	-	92,532
Operational expenses	(15,952)	(9,610)	(795)	(63)	(26,420)	(16,269)	(7,375)	(593)	(776)	(25,013)
Depreciation	(5,372)	(2,197)	(4,496)	-	(12,065)	(5,324)	(2,215)	(4,427)	-	(11,966)
Impairment loss on receivables against operating leases	(6,500)	-	-	-	(6,500)	(3,000)	-	-	-	(3,000)
Net profit / (Loss)	30,543	(1,605)	(2,725)	(11,411)	14,802	37,168	(1,873)	-582	(12,593)	22,120
<b>As of</b>	<b>30 June 2024</b>					<b>31 December 2023</b>				
	<b>(Unaudited)</b>					<b>(Audited)</b>				
	<b>Retail</b>	<b>Hospitality</b>	<b>Offices</b>	<b>Fund Operations</b>	<b>Total</b>	<b>Retail</b>	<b>Hospitality</b>	<b>Offices</b>	<b>Fund Operations</b>	<b>Total</b>
Total assets	1,366,335	161,828	482,780	5,624	2,016,567	1,348,194	148,643	488,219	265	1,985,321
Total liabilities	236,557	11,791	526,387	23,530	798,265	207,198	2,323	515,888	22,037	747,446

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

	<b>30 June 2023 (Unaudited)</b>	31 December 2023 (Audited)
Fair value of investment properties	<b>2,086,818</b>	2,078,943
Less: Carrying value of investment properties	<b>(1,923,898)</b>	(1,903,261)
Increase in net assets (equity)	<b>162,920</b>	175,682
Units in issue in thousands (number)	<b>137,500</b>	137,500
Additional net assets (equity) per unit based on fair value	<b>1.18</b>	1.28
Net assets (equity) attributable to unitholders before fair value adjustment	<b>1,218,302</b>	1,237,875
Increase in net assets (equity)	<b>162,920</b>	175,682
Net assets (equity) attributable to unitholders after fair value adjustment	<b>1,381,222</b>	1,413,557
<b><u>Net assets attributable to each unit</u></b>		
Net assets (equity) per unit (SAR) before fair value adjustment	<b>8.86</b>	9.00
Increase in net assets (equity) per unit (SAR) based on fair value	<b>1.18</b>	1.28
Net assets (equity) attributable to unitholders after fair value adjustment	<b>10.04</b>	10.28

**12 FINANCE COST**

	<b>30 June 2024 (Unaudited)</b>	30 June 2023 (Unaudited)
Total finance cost	<b>25,719</b>	21,144
Less: Finance cost capitalized during the period	<b>(6,140)</b>	(3,076)
Finance cost charged to profit or loss	<b>19,579</b>	18,068

**13 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 2024 (Unaudited)</b>	30 June 2023 (Unaudited)
Net profit for the period	<b>14,802</b>	22,120
Weighted average number of outstanding ordinary units (units)	<b>137,500</b>	137,500
Basic and diluted earnings per unit	<b>0.11</b>	0.16

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

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

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

**For the six-month period ended 30 June 2024**

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#### **14 DIVIDEND DISTRIBUTION**

On 25 March 2024, the Fund Board approved to pay a dividend of SR 34.375 million (SR 0.25 per unit) to the Fund's unitholders. As at the reporting date, the dividend has been fully paid.

#### **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</u> <u>fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b><u>30 June 2024</u></b>				
Financial instruments- FVTPL	<u>3,121</u>	<u>-</u>	<u>3,121</u>	<u>-</u>
<b><u>31 December 2023</u></b>				
Financial instruments- FVTPL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Level 2 of financial instruments contains financial instruments that are measured at FVTPL. These financial instruments were valued using widely recognized valuation models. The Fund relies on counterparty for valuation of these financial instruments.

**16 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 2024.

**17 LAST VALUATION DAY**

The last valuation day for the period was 30 June 2024.

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

These condensed interim financial statements were approved by the Fund's Board on 3 Safar 1446H (corresponding to 7 August 2024).