ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
Together with
INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended at 31 December 2020

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Independent Auditor's Report

To the Unitholders of AlAhli REIT Fund (1)

Opinion

We have audited the financial statements of **AlAhli REIT Fund (1)** (the "Fund"), managed by NCB Capital Company (the "Fund Manager"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in net assets (equity) attributable to the unitholders and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

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

Key Audit Matters (continued)

Valuation of investment properties

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying value of Fund's investment properties aggregated to SR 1,844.2 million (31 December 2019: SR 1,589.5 million) and the fair values of these properties amounted to SR 1,885.1 million (31 December 2019: SR 1,600.2 million). The investment properties are stated at cost less accumulated depreciation and impairment losses, (if any). However, the fair value of the investment properties is disclosed in the notes to the financial statements. In accordance with the requirements of relevant accounting standards, the Fund is required to assess indicators of impairment on its investment properties at each reporting date. In case such indicators are identified, the recoverable of such investment properties are required to be determined. As part of its assessment of impairment indicators, the Fund reviews both internal and external indicators of impairment including but not limited to net cash flows, operating losses, physical condition of its properties and adverse market changes or conditions. The Fund also uses the valuation reports from the independent valuers engaged by the Fund Manager to evaluate the recoverable amounts of properties at the reporting date. We considered this as a key audit matter since the assessment of recoverable amounts, where required, involves the exercise of significant judgment and estimates. *Refer to the summary of significant accounting policies note 4 relating to impairment of investment properties, note 5 which contains the significant accounting judgment, estimates and assumptions relating to impairment and note 10 relating to investment properties.*	Our audit procedures in response to the assessed risk of material misstatement in assessing impairment in the investment properties comprised of: - Obtaining an understanding of the process adopted by the Fund Manager in identifying the impairment in investment properties. - Obtaining an understanding of the valuation approach adopted by the Fund manager. We held correspondence with the Fund's independent valuers through the Fund Manager to understand the assumptions and methodologies used in valuing the investment properties and the market evidence used by the independent valuers to support their assumptions. We also obtained an understanding of the involvement of the Fund manager's valuation process to assess whether appropriate oversight has occurred. - Assessing valuers' credentials, their independence, professional qualifications, competence, experience and ensured that they are certified from Saudi Authority for Accredited Valuers (TAQEEM). - Assessing the value in use of investment properties determined by the Fund Manager. - Involving our specialist to assess the key assumptions and estimates, such as discount rate, exit yield rate, annual rental income, operating expenditure and occupancy, used by the real estate valuation experts in determining the fair values of the investment properties. - Comparing the recoverable amounts of the investment properties with their carrying values to check whether recognition of any impairment loss is required. - Assessing the adequacy of the disclosures in the financial statements.

Independent Auditor's Report

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

Other Information

The Fund Manager is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The Fund Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable provisions of the Real Estate Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Fund's Board, is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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Independent Auditor's Report

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Conclude on the appropriateness of Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Hani Hamzah A. Bedairi
License No.: 460

Riyadh on:
Date: 4 Sha'ban 1442H
Corresponding to: 17 March 2021

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س.ت.م رقم ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
Expressed in Saudi Riyals '000 (unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	*6*	**6,478**	10,175
Investment at fair value through profit or loss	*7*	**-**	42,264
Receivables from operating leases	*8*	**50,030**	35,004
Due from related parties	*16*	**-**	2,461
Prepayments and other receivables	*9*	**2,717**	14,985
Total current assets		**59,225**	104,889
Non-current assets			
Investment properties	*10*	**1,844,178**	1,589,485
Total non-current assets		**1,844,178**	1,589,485
Total assets		**1,903,403**	1,694,374
LIABILITIES			
Current liabilities			
Due to related parties	*16*	**21,765**	20,590
Unearned rental income	*11*	**25,060**	28,097
Other liabilities	*12*	**7,214**	11,976
Advances from operating leases	*13*	**12,740**	11,540
Provision for Zakat	*15*	**1,159**	1,500
Total current liabilities		**67,938**	73,703
Non-current liabilities			
Borrowings	*14*	**514,995**	253,050
Total non-current liabilities		**514,995**	253,050
Total liabilities		**582,933**	326,753
Net assets (equity) attributable to the unitholders		**1,320,470**	1,367,621
Units in issue in thousands (numbers)		**137,500**	137,500
Net assets (equity) per unit (SAR)		**9.60**	9.95
Net assets (equity) per unit fair value (SAR)	*20*	**9.90**	10.16

The accompanying notes 1 to 27 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

Expressed in Saudi Riyals '000 (unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
Revenue from properties	*18*	**141,310**	151,696
Operational expenses	*19*	**(42,378)**	(44,379)
Depreciation & amortization	10	**(22,916)**	(18,119)
Impairment loss on investment properties	10	**(25,000)**	-
Impairment loss on operating lease receivables	*8*	**(1,000)**	(5,607)
Gross profit		**50,016**	83,591
Management fees		**(17,399)**	(14,824)
Professional fees		**(500)**	(480)
Board fees		**(100)**	(100)
Tadawul fees		**(700)**	(700)
Custody fees		**(446)**	(344)
Shariah fees		**(24)**	(24)
Other expenses		**(2,473)**	(2,012)
Net operating profit		**28,374**	65,107
Gain on investment at fair value through profit or loss	*7*	**361**	885
		28,735	65,992
Finance cost		**(12,673)**	(4,467)
Profit before Zakat		**16,062**	61,525
Zakat	*15*	**(1,338)**	(1,500)
Profit for the year		**14,724**	60,025
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**14,724**	60,025

The accompanying notes 1 to 27 form an integral part of these financial statements.

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
STATEMENT OF CHANGES IN NET ASSETS (EQUITY) ATTRIBUTABLE TO THE UNITHOLDERS
For the year ended 31 December 2020
Expressed in Saudi Riyals '000 (unless otherwise stated)

	31 December 2020	31 December 2019
Net assets (equity) attributable to the unitholders at beginning of the year	**1,367,621**	1,396,971
Total comprehensive income for the year	**14,724**	60,025
Unit transactions during the year		
Proceeds from issuance of units	-	-
Dividend declared during the year (note 22)	**(61,875)**	(89,375)
Net assets (equity) attributable to the unitholders at end of the year	**1,320,470**	1,367,621

The accompanying notes 1 to 27 form an integral part of these financial statements.

ALAHLI REIT FUND (1)
(Managed by NCB Capital Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
Expressed in Saudi Riyals '000 (unless otherwise stated)

	Note	**31 December 2020**	31 December 2019
Cash flows from operating activities			
Profit before Zakat		**16,062**	61,525
Adjustment for non-cash items:			
Depreciation & amortization	*10*	**22,916**	18,119
Impairment loss on investment properties	*10*	**25,000**	-
Finance cost		**12,673**	4,467
Impairment loss on operating lease receivables	*8*	**1,000**	5,607
Unrealised gain on investment at fair value through profit or loss		**-**	(885)
Realised gain on disposal of investment at fair value through profit	*7*	**(361)**	
		77,290	88,833
Changes in:			
Receivable from operating leases		**(16,026)**	(13,249)
Due from related parties		**2,461**	5,031
Prepayments and other receivables		**12,268**	(10,726)
Due to related parties		**1,175**	8,897
Unearned rental income		**(3,037)**	1,669
Other liabilities		**(3,408)**	3,205
Advances from operating leases		**1,200**	3,504
		71,923	87,164
Zakat paid	*15*	**(1,679)**	-
Net cash generated from operating activities		**70,244**	87,164
Cash flows from investing activities			
Purchase of investment properties	*10*	**(302,609)**	(261,977)
Disposal of investment at fair value through profit or loss	*7*	**42,264**	16,733
Proceeds from gain on disposal of investment at fair value	*7*	**361**	-
Net cash flows used in investing activities		**(259,984)**	(245,244)
Cash flows from financing activities			
Dividend paid	*22*	**(61,875)**	(89,375)
Proceeds from loan	*14*	**261,028**	253,050
Finance cost paid		**(13,110)**	(2,757)
Net cash generated from financing activities		**186,043**	160,918
Net change in cash and cash equivalents		**(3,697)**	2,838
Cash and cash equivalents at the beginning of the year		**10,175**	7,337
Cash and cash equivalents at end of the year		**6,478**	10,175

The accompanying notes 1 to 27 form an integral part of these financial statements.

1 THE FUND AND ITS ACTIVITIES

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

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

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

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

The Fund invests mainly in developed income-generating real estate assets and may invest part of its assets and cash surplus in Murabaha transactions and short term deposits in Saudi Riyals with banks that are licensed by the Saudi 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 NCB 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 (CONTINUED)

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA") and to comply with the related Implementing Regulations issued by CMA and the Fund's terms and conditions.

2.2 Basis of measurement

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

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

- Obligating listed companies to continue to use the cost model to measure property (under IAS 16) and investment property (under IAS 40) in the financial statements prepared for financial periods before the calendar year 2022.

- Allowing listed companies 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.

2.3 Impact of coronavirus (COVID-19) outbreak

The Fund's operations have been affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The COVID-19 pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Fund is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the business disruptions COVID-19 outbreak has caused to its operations and financial performance. As of 31 December 2020, the Fund has recorded impairment loss on account of investment properties amounting to SAR 25 million (see note 10).

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

2.4 Presentation and functional currency

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

3 AMENDMENTS TO STANDARDS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the financial statements of the Fund on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Pronouncements issued and not yet effective
The following pronouncements are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these financial statements;

- 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 IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).

4 SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents
Cash and cash equivalents include cash at bank, cash at hand, cash held in investment accounts, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial instruments

Recognition and initial measurement
Receivables from operating leases are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable from operating leases without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Receivable from operating leases without a significant financing component is initially measured at the transaction price.

Financial assets

Classification of financial assets
On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at **amortised cost** if it meets both of the following conditions:

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial asset shall be measured at **FVTOCI** if both of the following conditions are met:

a. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at **FVTPL** unless it is measured at amortised cost or at FVTOCI.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Financial assets	**IFRS 9 classification**
Cash and cash equivalents	Amortised cost
Investment at fair value through profit or loss	FVTPL
Receivable from operating leases	Amortised cost
Due from related parties	Amortised cost
Other assets	Amortised cost

Subsequent measurement
The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gain, loss, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Fund has no such investments.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. The Fund has no such investments.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Derecognition
A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired, or
- the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:
  (a) the Fund has transferred substantially all the risks and rewards of the asset, or
  (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

Impairment of financial assets
IFRS 9 impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead, the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
- '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Expected credit loss assessment for operating lease receivables:

The Fund applies IFRS 9 simplified approach for measuring expected credit losses, which uses a lifetime expected loss allowance. The method is applied for assessing an allowance against financial assets measured at amortised cost.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Fund has identified GDP of the Kingdom of Saudi Arabia (the country in which it renders the services), inflation rate and government spending to be the most relevant factor and accordingly adjusts the historical loss rates based on expected changes in these factors.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The expected loss approach breaks the total loss amount modelling into the following parts: Probability of Default (PD), Loss Given Default (LGD), Exposure At Default (EAD). These are briefly described below:

Loss Given Default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of Default (PD): the likelihood of a default over a particular time horizon.

Exposure At Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Presentation of impairment
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from operating leases are presented separately in the statement of profit or loss and other comprehensive income.

Model and Framework
The Fund uses a point in time (PIT) probability of default model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the allowance calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss allowance, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios
The Fund includes a macroeconomic factor of GDP, inflation rate and government spending to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for the above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on the likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

Portfolio segmentation
The fund assesses its financial assets based on credit risk characteristics using segmentations such as geographical region, type of customer, customer rating etc. The different segments reflect differences in PDs and in recovery rates in the event of "default".

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of default
In the above context, the Fund considers default when:
- the customer is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any is held); or
- the customer is more than 455 days past due on any material credit obligation to the Fund. As the industry norm suggests that such a period fairly represents the default scenario for the Fund, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognised in the statement of profit or loss. Receivables, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognised under other income in the statement of profit or loss.

Specific provision
Specific provision is recognized on customer to customer basis at every reporting date. The Fund recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Fund determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial liabilities
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities mainly include trade and other payables, related party and borrowings.

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities	**IFRS 9 classification**
Due to related parties	Amortised cost
Other liabilities	Amortised cost
Borrowings	Amortised cost

Derecognition
The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of the financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset and recognises the amount adjusting the gross carrying amount as modification gain or loss in the statement of profit or loss.

Financial liability
The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms are recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Fund's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

Investment properties
Investment properties are non-current assets held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of operations, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for an increase in its value.

Any gain or loss on disposal of the investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Cost includes expenditures that are directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Impairment of non-financial assets

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or Funds of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses are recognized in the statement of comprehensive income.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

Provisions

A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method.

Revenue recognition

The fund's revenue mainly comprises of revenue from operating leases and revenue from hotel operations.

Rental revenue from lease of investment properties

As a lessor:

When the fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To classify each lease, the fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The fund has assessed that all of its leases are operating leases. Properties leased out under operating leases are included in investment property in the statement of financial position. Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Fund provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue from hotel operations:
Revenue from hotel services comprises revenue from rooms, food and beverages and other associated services provided. The revenue is recognized net of discount, applicable taxes and municipality fees on an accrual basis when the services are rendered under IFRS 15.

Zakat and income tax
The Fund is subject to Zakat in accordance with the Zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on net assets (equity) using the basis defined in the Zakat regulation. The management establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulation is subject to interpretation. Zakat is charged to the statement of profit or loss and other comprehensive income. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the period in which the final assessments are finalized.

Net assets (equity) per unit
The net assets (equity) per unit is calculated by dividing the net assets (equity) attributable to the unitholders included in the statement of financial position by the numbers of units outstanding at the year end.

Units in issue
The Fund has units in issue. On liquidation of the Fund, they entitle the holders to the residual net assets (equity). They rank pari passu in all respects and have identical terms and conditions. The units provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund net assets (equity) in the event of the Fund's liquidation.

Units are classified as equity as it meets all of the following conditions:
- it entitles the holder to a pro rata share of the Fund's net assets (equity) in the event of the Fund's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in recognized net assets (equity) or the change in the fair value of the recognized and unrecognized net assets (equity) of the Fund over the life of the instrument.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency transactions
Transactions in foreign currencies are initially recorded by the Fund at the functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the date of the financial statements. All differences are recognised in the statement of profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when the fair value was determined.

5 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Judgments
Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements. Judgement has been applied in the cases of determining whether an arrangement contains a lease and classification of leases.

Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the financial statements are described below:

<u>Provision for expected credit losses on receivables against operating leases</u>
The Fund uses a provision matrix to calculate ECLs of receivable from operating leases. The provision matrix is initially based on the Fund's historical observed default rates. The Fund will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, Inflation rate and governmental spending) is expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecasted economic conditions. The Fund's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Expressed in Saudi Riyals '000 (unless otherwise stated)

5 CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Useful lives of investment properties
The management determines the estimated useful lives of investment properties for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually, and changes in depreciation charges, if any, are adjusted in current and future periods.

Impairment of investment properties
The Fund uses the services of third party professionally qualified evaluator to obtain estimates of the market value of investment properties using recognized valuation techniques for the purpose of impairment review and disclosures in the financial statements, For further details of assumptions and estimates please refer to note 10.

Impairment of non-financial assets "Value in use calculation"
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Fund is not yet committed to or significant future investments that will enhance the performance of the assets tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to properties recognised by the Fund.

6 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at banks	**6,401**	10,033
Cash in hand	**77**	142
	6,478	10,175

7 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2020		31 December 2019	
	Cost	**Fair value**	Cost	Fair value
***Investment in mutual fund managed by the Fund Manager* (a related party)**				
AlAhli Saudi Riyal Trade Fund	-	-	41,566	42,264

During the year, the Fund has recognized a net gain of SR 361 thousand (2019: SR 885 thousand) from the disposal of these investments.

Expressed in Saudi Riyals '000 (unless otherwise stated)

8 RECEIVABLES FROM OPERATING LEASES

Receivables from operating leases comprise of the following:

	31 December 2020	31 December 2019
Receivables from operating leases	**59,896**	43,870
Less: Impairment loss on receivables from operating leases	**(9,866)**	(8,866)
Receivables from operating leases – net	**50,030**	35,004

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

	2020	2019
Opening balance	**8,866**	3,259
Provided during the year	**1,000**	5,607
Closing balance	**9,866**	8,866

The aging analysis of receivable from operating leases at the reporting date is presented below:

			Past due and impaired				
Year	Total	1 to 90 days	From 91-180 days	From 181-270 days	From 271-365 days	From 366-455 days	More than 455 days
2020	**59,896**	**10,864**	**28,014**	**6,343**	**2,028**	**2,479**	**10,168**
2019	43,870	21,883	8,307	3,906	1,172	4,969	3,633

9 PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
Input value added tax	**1,609**	12,495
Prepaid expenses	**952**	773
Other balances	**156**	1,717
	2,717	14,985

10 INVESTMENT PROPERTIES

10.1 The Fund owns the following investment properties:

Name of the property	*Nature of Property*	*Purchase Price*
AlAndalus Mall, Jeddah (*notes 10.1.1, 10.1.2*)	Mall	1,195,686
AlAndalus Mall Hotel, Jeddah (*note 10.1.1*)	Hotel	200,000
Salama Tower, Jeddah (*note 10.1.3*)	Office	255,000
Qbic Plaza, Riyadh (*note 10.1.4*)	Office	250,000

10.1.1 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.

10.1.2 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.

10 INVESTMENT PROPERTIES (CONTINUED)

10.1.3 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.

10.1.4 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.

10.1.5 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.

Expressed in Saudi Riyals '000 (unless otherwise stated)

10 INVESTMENT PROPERTIES (CONTINUED)

10.2 At 31 December 2020, investment properties represent the properties that were initially recognized at their cost and are subsequently measured at cost less accumulated depreciation. The break-up of the cost of investment properties is as follows:

	Land	Buildings	Furniture & Fixture	Computer & Hardware	Office Equipment	Motor Vehicles	Construction in progress	Total
Cost:								
Balance at 1 January 2020	865,804	739,903	8,860	2,039	7,141	-	5,215	1,628,962
Additions during the year	149,489	149,573	155	78	136	33	3,145	302,609
Balance at 31 December 2020	1,015,293	889,476	9,015	2,117	7,277	33	8,360	1,931,571
Accumulated depreciation								
Balance at 1 January 2020	-	(34,590)	(2,134)	(446)	(2,307)	-	-	(39,477)
Depreciation charged for the year	-	(20,495)	(1,052)	(222)	(1,146)	(1)	-	(22,916)
Impairment loss	-	(25,000)	-	-	-	-	-	(25,000)
Balance at 31 December 2020	-	(80,085)	(3,186)	(668)	(3,453)	(1)	-	(87,393)
Net book value at 31 December 2020	1,015,293	809,391	5,829	1,449	3,824	32	8,360	1,844,178
Net book value at 31 December 2019	865,804	705,313	6,726	1,593	4,834	-	5,215	1,589,485

AlAndalus Mall and AlAndalus Mall Hotel is held under security against the Islamic Financing Facility obtained from NCB amounting to SR 650 million. The carrying value of AlAndalus Mall and AlAndalus Mall Hotel aggregates to SR 1,342 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.

Based on the valuations performed by the valuers as of 31 December 2020, the Fund has recognized an impairment loss to the carrying values of certain investment properties, amounting to SR 25 million. (Refer to Note 2.3 for the underlying factors that resulted in impairment).

Expressed in Saudi Riyals '000 (unless otherwise stated)

10 INVESTMENT PROPERTIES (CONTINUED)

10.3 Market values

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

Description	Valuation approach	Key assumptions	Market Value As at 31 December 2020	Market Value As at 31 December 2019
Evaluator: ValuStrat				
AlAndalus Mall	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.50%	**1,195,000**	1,176,800
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	**153,000**	164,000
Salama Tower	Discounted cash flows	Discount rate: 11.5% Exit yield rate: 9%	**258,400**	264,000
Qbic Plaza	Discounted cash flows	Discount rate: 11% Exit yield rate: 8.5%	**259,000**	-
			1,865,400	1,604,800
Evaluator: Knight Frank				
AlAndalus Mall	Discounted cash flows	Discount rate: 10.75% Exit yield rate: 8.75%	**1,259,050**	1,171,600
AlAndalus Mall Hotel	Discounted cash flows	Discount rate: 11.25% Exit yield rate: 9.25%	**148,600**	170,100
Salama Tower	Discounted cash flows	Discount rate: 10.25% Exit yield rate: 8.25%	**244,000**	253,860
Qbic Plaza	Discounted cash flows	Discount rate: 10.00% Exit yield rate: 8%	**253,070**	-
			1,904,720	1,595,560

The average fair value measurements of investment properties have been categorized as level 3 fair values based on inputs to the valuation techniques used. The table shows the breakdown as at 31 December 2020 and 31 December 2019:

	Average fair value measurement at 31 December 2020		
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investment properties	-	-	**1,885,060**

	Average fair value measurement at 31 December 2019		
	Using quoted prices from active markets for identical assets (level 1)	Other observable key inputs (level 2)	Other unobservable key inputs (level 3)
Investment properties	-	-	1,600,180

Expressed in Saudi Riyals '000 (unless otherwise stated)

11 UNEARNED RENTAL INCOME

	31 December 2020	31 December 2019
Opening balance	**28,097**	26,429
Invoices issued during the year	**138,273**	143,933
Revenue recognized during the year	**(141,310)**	(142,265)
Closing balance	**25,060**	28,097

12 OTHER LIABILITIES

	31 December 2020	31 December 2019
Trade payables	**3,154**	2,697
Finance cost payable	**359**	1,710
Accrued expenses and others	**3,701**	7,569
	7,214	11,976

13 ADVANCES FROM OPERATING LEASES

	31 December 2020	31 December 2019
Advances from tenants	**5,820**	6,106
Security deposits from tenants	**6,920**	5,434
	12,740	11,540

14 BORROWINGS

	31 December 2020	31 December 2019
Opening balance	**253,050**	-
Financing facility utilized during the year	**261,028**	253,050
Amortization of loan arrangement fee	**917**	-
Closing balance	**514,995**	253,050

On 7 November 2018, the Fund signed an agreement of Islamic financing facility of SAR 650 million from 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 NCB 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, the Fund utilized further SAR 263 million. The tenor of Islamic financing facility is 15 years. 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.

Expressed in Saudi Riyals '000 (unless otherwise stated)

15 ZAKAT

Zakat is calculated for the year ended 31 December using the Zakat base as follows:

	2020	2019
Net Zakat positive base (A)		
Net assets (equity)	**1,305,746**	1,375,000
Provisions	**8,866**	3,259
Borrowings	**514,995**	253,050
Net adjusted profit	**46,360**	60,000
Zakat base positive	**1,875,967**	1,691,309
Zakat base negative (B)		
Investments properties	**1,844,178**	1,589,485
Other deductions	**-**	66,044
	1,844,178	1,655,529
Net positive zakat base	**31,789**	35,780
Net adjusted profit	**46,360**	60,000
Zakat charge at 2.5%	**1,159**	1,500

Zakat provision movement is as follows:

	2020	2019
Opening balance	**1,500**	-
Charge:		
- For the year	**1,159**	1,500
- In respect of prior years	**179**	-
	1,338	1,500
Payments made during the year	**(1,679)**	-
Closing balance	**1,159**	1,500

Zakat assessment status

The Fund has filed its zakat returns with the General Authority of Zakat and Tax (GAZT) for the years up till 2019. However, final assessments are yet to be finalized by GAZT.

16 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:

Name of entity	**Relationship**
NCB Capital Company	Fund Manager and Unitholder
National Commercial Bank (NCB)	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.

Expressed in Saudi Riyals '000 (unless otherwise stated)

16 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Agency fee

The Fund via a master transfer agreement dated 25th 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.

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

Related party	Nature of transactions	2020	2019
Alandalus Property Company	Rent collected on behalf of the Fund	**7,988**	26,304
	Funds received	**10,449**	31,533
	Funds paid	**8,336**	262
	Management fee charged	**8,845**	-
	Agency fees charged	**500**	500
NCB Capital Company	Management fees charged	**17,399**	14,824
	Transaction cost capitalized to investment properties	**3,959**	-
	Payments made during the year	**15,189**	6,959
National Commercial Bank	Management fees charged	**26**	-
	Payments made during the year	**26**	-

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

a) Due from related party

Related party	2020	2019
Alandalus Property Company	**-**	2,461

b) Due to related parties

Related party	2020	2019
Hamat Property Company	**-**	5,503
NCB Capital	**20,993**	14,824
Alandalus Property Company	**772**	263
	21,765	20,590

Expressed in Saudi Riyals '000 (unless otherwise stated)

17 SEGMENT REPORTING

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

Retail Sector: This includes AlAndalus Mall.
Hospitality Sector: This includes AlAndalus Mall Hotel.
Offices Sector: This includes Salama Tower and Qbic Plaza.

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

	31 December 2020				31 December 2019			
For the year ended	**Mall**	**Hotel**	**Office**	**Total**	Mall	Hotel	Office	Total
Total revenue	101,711	8,566	31,033	141,310	125,376	16,889	9,431	151,696
Operational expenses	(26,269)	(15,575)	(534)	(42,378)	(28,777)	(15,226)	(376)	(44,379)
Depreciation & amortization	(10,315)	(5,525)	(7,076)	(22,916)	(10,318)	(5,714)	(2,087)	(18,119)
Impairment loss	-	(25,000)	-	(25,000)	-	-	-	-
Impairment loss on receivables from operating leases	(1,000)	-	-	(1,000)	(5,607)	-	-	(5,607)
Gross profit	64,127	(37,534)	23,423	50,016	80,674	(4,051)	6,968	83,591

As of	31 December 2020					31 December 2019				
	Mall	**Hotel**	**Office**	**Fund**	**Total**	Mall	Hotel	Office	Fund	Total
Total assets	1,228,815	157,282	513,024	4,282	1,903,403	1,185,203	188,947	265,367	54,857	1,694,374
Total liabilities	54,967	1,340	507,332	19,294	582,933	49,177	5,374	-	272,202	326,753

18 REVENUE FROM PROPERTIES

	31 December 2020	31 December 2019
AlAndalus Mall	**101,711**	125,376
AlAndalus Mall Hotel	**8,566**	16,889
Qbic Plaza	**11,783**	-
Salama Tower	**19,250**	9,431
	141,310	151,696

19 OPERATIONAL EXPENSES

	31 December 2020	31 December 2019
AlAndalus Mall	**26,269**	28,777
AlAndalus Mall Hotel	**15,575**	15,226
Qbic Plaza	**216**	-
Salama Tower	**318**	376
	42,378	44,379

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

	31 December 2020	31 December 2019
Fair value of investment properties	**1,885,060**	1,618,486
Less: Carrying value of investment properties	**1,844,178**	1,589,485
Increase in net assets (equity)	**40,882**	29,001
Units in issue in thousands (number)	**137,500**	137,500
Additional net assets (equity) per unit based on fair value	**0.30**	0.21
Net assets (equity) attributable to unitholders before fair value adjustment	**1,320,470**	1,367,621
Increase in net assets (equity)	**40,882**	29,001
Net assets (equity) attributable to unitholders after fair value adjustment	**1,361,352**	1,396,622
Net Assets Attributable to each unit		
Net assets (equity) per unit (SAR) before fair value adjustment	**9.60**	9.95
Increase in net assets (equity) per unit (SAR) based on fair value	**0.30**	0.21
Net assets (equity) attributable to unitholders after fair value adjustment	**9.90**	10.16

Expressed in Saudi Riyals '000 (unless otherwise stated)

21 OPERATING LEASES

As a lessor

The maturity analysis of undiscounted lease payments to be received in future years is as follows:

	31 December 2020	31 December 2019
Up to one year	**117,800**	93,779
1 year to 5 years	**210,209**	147,146
More than 5 years	**92,928**	110,615
	420,937	351,540

22 DIVIDEND DISTRIBUTION

On 16 March 2020 and 17 August 2020, the Fund's board approved the distribution of dividend for the year ended 31 December 2019 and period ended 30 June 2020 amounted to SR 0.325 per unit and 0.125 per unit respectively. The same was paid on 29 March 2020 and 31 August 2020 respectively.

23 FINANCIAL RISK MANAGEMENT

23.1 Financial risk factors

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

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

a. Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund is not exposed to any market risk as of 31 December 2020.

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 interest 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 commission and are not subject to re-pricing on a regular basis.

Expressed in Saudi Riyals '000 (unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Fund 's commission rate risks arise mainly from its borrowings, which are at variable commission rate and the sensitivity analysis as follows:-

	Balance as at 31 December 2020			
	Income Statement		**Statement of Owners' Net assets (Equity)**	
	Increase 100 points	**Reduce 100 points**	**Increase 100 points**	**Reduce 100 points**
Islamic financing facility cost	**(5,149)**	**5,149**	**(5,149)**	**5,149**
Cash-flow sensitivity (net)	**(5,149)**	**5,149**	**(5,149)**	**5,149**

	Balance as at 31 December 2019			
	Income Statement		Statement of Owners' Net assets (Equity)	
	Increase 100 points	Reduce 100 points	Increase 100 points	Reduce 100 points
Islamic financing facility cost	(2,531)	2,531	(2,531)	2,531
Cash-flow sensitivity (net)	(2,531)	2,531	(2,531)	2,531

d. Credit risk

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

	31 December 2020	31 December 2019
Cash and cash equivalents	**6,478**	10,175
Investment at fair value through profit or loss	**-**	42,264
Receivables from operating leases, gross	**59,896**	43,870
Due from related parties	**-**	2,461
	66,374	98,770

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.

Expressed in Saudi Riyals '000 (unless otherwise stated)

23 FINANCIAL RISK MANAGEMENT (CONTINUED)

d. 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.

The table below analyses the Fund's financial liabilities as at the reporting date and classifies into relevant maturities based on the contractual undiscounted cash flows.

At 31 December 2020:	**Less than 1 year**	**More than 1 year**
Other liabilities	**7,214**	**-**
Due to related parties	**21,765**	**-**
Borrowings	**-**	**514,995**
	28,979	**514,995**

At 31 December 2019:	Less than 1 year	More than 1 year
Other liabilities	11,976	-
Due to related parties	20,590	-
Borrowings	-	253,050
	32,566	253,050

24 FAIR VALUE

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

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

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

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

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

Fair values of financial instruments

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

Expressed in Saudi Riyals '000 (unless otherwise stated)

24 FAIR VALUE (CONTINUED)

Fair values of financial instruments (CONTINUED)

There were no significant changes that may expose the Fund to financial instrument risks through its objectives, polices 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.

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.

	Carrying amount Designated at fair value	Fair Value		
		Level 1	Level 2	Level 3
2020				
Financial instruments- FVTPL	-	-	-	-
2019				
Financial instruments- FVTPL	-	-	42,263	-

25 SUBSEQUENT EVENT

On 9 February 2021, the Fund Board approved to pay a dividend of SR 44.688 million (i.e. SR 0.325 per unit) to the Fund's unitholders. The dividend has been paid subsequent to the announcement.

26 LAST VALUATION DAY

The last valuation day for the period was 31 December 2020.

27 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Fund Board on 2 Sha'ban 1442H (corresponding to 15 March 2021).