# ALKHABEER REIT FUND

## INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

### FOR THE PERIOD FROM 16 DECEMBER 2018 TO 30 JUNE 2019

**INDEX**

Building a better working world

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## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE UNITHOLDERS OF ALKHABEER REIT FUND

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alkhabeer REIT Fund (the "Fund") as at 30 June 2019, and the related interim condensed statements of comprehensive income, cash flows and changes in net assets for the period from 16 December 2018 to 30 June 2019 and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

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PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

6 August 2019
5 Dhul-Hijjah 1440H

Jeddah

20/06/MNA

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Unaudited)
As at 30 June 2019

| | Note | *30 June 2019* *SR* *(Unaudited)* |
|---|---|---|
| **ASSETS** | | |
| Investment properties | 7 | **960,902,685** |
| Rent and other receivables and prepayments | 8 | **22,021,860** |
| Cash at bank | | **13,061,501** |
| **Total assets** | | **995,986,046** |
| **LIABILITIES** | | |
| Bank loan | 9 | **346,915,413** |
| Advances, accrued expenses and other payables | 10 | **4,561,525** |
| Due to related parties | 11 | **1,555,721** |
| **Total liabilities** | | **353,032,659** |
| **Net assets attributable to the unitholders** | | **642,953,387** |
| Units in issue | | **66,442,386** |
| Net assets value per unit Saudi Riyals (considering investment properties at cost) | 7 | **9.6769** |
| Net assets value per unit Saudi Riyals (considering investment properties at fair value) | 7 | **10.2438** |

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the period from 16 December 2018 to 30 June 2019

| | *Note* | ***For the period from 16 December 2018 to 30 June 2019 SR (Unaudited)*** |
|---|---|---|
| **REVENUE** | | |
| Rental income | | **29,033,793** |
| | | **29,033,793** |
| **OPERATING EXPENSES** | | |
| Properties management expenses | | **1,126,350** |
| Custody and administration fees | 6 & 11 | **118,467** |
| Management fee | 6 & 11 | **1,327,363** |
| Depreciation | 7 | **9,156,734** |
| Other | | **850,543** |
| **TOTAL OPERATING EXPENSES** | | **12,579,457** |
| **OPERATING PROFIT** | | **16,454,336** |
| **NON-OPERATING EXPENSES** | | |
| Finance costs | | **6,915,529** |
| Impairment of investment properties | 7 | **6,398,081** |
| Establishment expenses | | **24,611,199** |
| **TOTAL NON-OPERATING EXPENSES** | | **37,924,809** |
| **LOSS FOR THE PERIOD** | | **(21,470,473)** |
| Other comprehensive income | | **-** |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | | **(21,470,473)** |

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
For the period from 16 December 2018 to 30 June 2019

| | ***For the period from 16 December 2018 to 30 June 2019 SR (Unaudited)*** |
|---|---|
| **OPERATING ACTIVITIES** | |
| Loss for the period | **(21,470,473)** |
| Adjustment for: | |
| Depreciation | **9,156,734** |
| Impairment of investment properties | **6,398,081** |
| | **(5,915,658)** |
| Changes in operating assets and liabilities: | |
| Investment properties | **(549,578,500)** |
| Rent and other receivables and prepayments | **(22,021,860)** |
| Advances, accrued expenses and other payables | **4,561,525** |
| Due to related parties | **1,555,721** |
| Net cash used in operating activities | **(571,398,772)** |
| **FINANCING ACTIVITIES** | |
| Bank loan | **346,915,413** |
| Proceeds from initial subscription of units | **237,544,860** |
| Net cash from financing activities | **584,460,273** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **13,061,501** |
| **Cash and cash equivalents at the beginning of the period** | **-** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | **13,061,501** |
| **SUPPLEMENTARY NON-CASH INFORMATION** | |
| Units issued in kind against investment properties | **426,879,000** |

The attached notes 1 to 13 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (Unaudited)
For the period from 16 December 2018 to 30 June 2019

| | *For the period from 16 December 2018 to 30 June 2019 SR (Unaudited)* |
|---|---|
| **NET ASSETS AT THE BEGINNING OF THE PERIOD** | **-** |
| **PROCEEDS FROM INITIAL SUBSCRIPTION OF UNITS** | **664,423,860** |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | **(21,470,473)** |
| **NET ASSETS AT THE END OF THE PERIOD** | **642,953,387** |

The attached notes 1 to 13 form part of these interim condensed financial statements.

## 1 NATURE OF THE FUND

Alkhabeer REIT Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund, established on 16 December 2018 and managed by Alkhabeer Capital (“Capital” or the “Fund Manager”), for the benefit of the Fund’s unitholders. The Fund is listed on the Saudi Stock Exchange (Tadawul). The Fund is ultimately supervised by the Fund Board. Alinma Investment Company acts as the Custodian of the Fund.

The Fund's main investment objective is to generate rental income yield and periodic cash distributions of not less than 90 percent of the Funds annual net profits, by investing not less than 75 percent of the Funds total assets, according to its last audited financial statements, in income generating real estate assets in the Kingdom of Saudi Arabia excluding Makkah and Medina.

The terms and conditions of the Fund were approved by the Capital Market Authority (the “CMA”) on 16 October 2018 (7 Safar 1440H). The offering period for the subscription of the units was from 11 November 2018 to 29 November 2018. The Fund commenced its activities on 16 December 2018. The Fund was listed on Tadawul on 20 March 2019.

In dealing with the unitholders, the Fund Manager considers the Fund as an independent entity. Accordingly, the Fund prepares its own financial statements. Furthermore, unitholders are considered owners of the assets of the Fund and distributions may be made in relation to their respective ownership in the total number of outstanding units.

The Fund’s term is ninety-nine (99) years following the date of listing units on Tadawul. The term of the Fund may be extended at the Fund Manager's discretion subject to CMA approval.

The Fund is subject to the Sharia Boards guidelines in its investments and transactions.

The books and records of the Fund are maintained in Saudi Riyals (SR), which represents the functional and presentation currency of the Fund.

## 2 BASIS OF PREPARATION

As per the terms and conditions of the Fund, the fiscal year of the Fund is from 1 January to 31 December. As the Fund commenced operations on 16 December 2018 the first fiscal period is from 16 December 2018 to 31 December 2019. As such the period covered by these interim condensed financial statements is from 16 December 2018 to 30 June 2019. As this is the first set of interim condensed financial statements of the Fund since its inception, no comparative information is presented.

### 2.1 Statement of compliance

These interim condensed financial statements of the Fund have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”).

### 2.2 Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention using the accrual basis of accounting and the going concern. Assets and liabilities are presented in order of their liquidity.

## 3 REGULATING AUTHORITY

The Fund has been established and units are offered in accordance with the Real Estate Investment Funds Regulations issued by CMA under Resolution No. 1-193-2006, dated 19/6/1427H, (The "Real Estate Investment Funds Regulations"), and in accordance with the instructions issued by CMA in respect of traded real estate investment funds pursuant to Resolution No. 6-130-2016, dated 23/1/1438H, corresponding to 24/10/2016G, ("Real Estate Investment Funds Instructions") detailing requirements for all the Real Estate Investment Funds within the Kingdom of Saudi Arabia.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of these financial statements are as follows:

**Financial instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***Classification of financial assets***

***Financial assets***
International Financial Reporting Standard 9 ("Financial Instruments") ("IFRS 9") contains three principal classification categories for financial assets: measured at amortized cost ("AC"), fair value through other comprehensive income ("FVOCI") and fair value through statement of profit or loss ("FVTPL"). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

On initial recognition, a financial asset is classified as AC, FVOCI or FVTPL.

The Fund's financial assets consist of bank balance only.

*Financial asset at amortised cost*
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

*Financial asset at FVOCI*
Debt instruments:
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

Equity instruments:
On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

*Financial Asset at FVTPL*
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

***Business model assessment***
The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

***Derecognition***
*Financial assets*
The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in interim condensed statement of comprehensive income.

In transactions in which the Fund neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Fund continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

***Impairment***
IFRS 9 requires the Fund to record an allowance for ECLs for all loans and receivables not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

The Fund doesn’t have any material impairment due to the nature of the outstanding financial assets.

**Fair value measurement**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**4 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value measurement (continued)**

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Management determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Management has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

For securities that are traded in organized financial markets, the fair value is determined by reference to exchange quoted market bid prices at the close of the business on the interim condensed statement of financial position reporting date.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is based on the expected cash flows or the underlying Net Asset Value ("NAV") which is reflective of the fair value of these securities.

The fair value of investment in land, which approximates its realizable value, is measured using valuation techniques including the replacement cost basis, comparable market prices and discounted cash flow ("DCF") based on income approach.

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

**Foreign currencies**
Foreign currency transactions are translated into SAR using the exchange rates prevailing at the date of transactions. Foreign currency assets and liabilities are translated into SAR using the exchange rates prevailing at the statement of financial position date. Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

**Investment properties**

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property, including brokerage fees.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property.

**Cash and cash equivalents**
Cash and cash equivalents of the Fund include bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash and cash equivalents are carried at amortized cost in the interim condensed statement of financial position.

## 4 SIGNIFICANT ACCOUNTING POLICIES (continued)

**Right of use assets**

The Fund recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Fund is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Finance costs**
Finance cost is recognized in the interim condensed statement of comprehensive income for all special commission-bearing financial instruments using the effective special commission method.

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

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

**Provision**
A provision is recognized 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 recognized for future operating loss.

**Taxation and zakat**
Taxation and zakat is the obligation of the unitholders and therefore, no provision for such liability is made in the financial statements.

**Revenue recognition**
Rental income from investment properties is recognized on an accrual basis in accordance with the terms of the corresponding contract. Capital gain resulting from the sale of investment property is recognized upon the execution of the corresponding sale contract.

## 5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future years.

**Fair value measurement of financial instruments**
When the fairs value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to the models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to the factors could affect the reported fair value of financial instruments.

**Useful lives of investment properties**
The fund manager 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. Fund manager reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

## 5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

**Impairment of investment properties**

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the investment property exceeds its recoverable amount which is the higher of its fair value less cost to sell and value in use. For the purpose of assessing impairment, investment properties are grouped at lowest levels for which there are separately identifiable cash flows (cash generating units). Where an impairment loss subsequently reverses, the carrying amount of the investment property or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the investment property or cash generating unit in prior periods. A reversal of an impairment loss is recognized as income immediately in the interim condensed statement of profit or loss.

## 6 MANAGEMENT FEE AND OTHER EXPENSES

**Management fee**

The Fund Manager is entitled to a management fee equal to 9% per annum (as set out in the Fund's terms and conditions) of the net collected rental proceeds or 0.75% of the NAV, whichever is lower, paid quarterly.

**Custody fee**

The Custodian is entitled to a fee equal to 0.025% per annum (as set out in the Fund's terms and conditions) of the total assets, with a minimum of SR 200,000 annually and an initial one time fee of SR 50,000, calculated and accrued on each valuation day.

**Administration fee**

The Administrator is entitled to a fee equal to 0.025% per annum (as set out in the Fund's terms and conditions) of the NAV, calculated and accrued on each valuation day.

## 7 INVESTMENT PROPERTIES

**(i)** Movement in investment properties during the period ended 30 June 2019, is as follows:

| | *30 June 2019* *SR* |
|---|---|
| Acquisition of properties during the period | **976,457,500** |
| Depreciation | **(9,156,734)** |
| Impairment | **(6,398,081)** |
| **Net book value at the end of the period** | **960,902,685** |

**7 INVESTMENT PROPERTIES (continued)**

**(ii)** The investment properties comprise of the following properties:

| ***Property Name*** | ***Type*** | ***Location*** | ***Cost of Acquisition SR*** | ***Net Book Value SR*** | ***Fair Value SR*** |
|---|---|---|---|---|---|
| Homeworks Center | Commercial | Riyadh | 79,950,000 | 79,650,625 | 84,385,000 |
| Palazzo Center | Commercial | Riyadh | 95,632,500 | 95,042,094 | 97,870,000 |
| Almalga Residential Compound | Residential | Riyadh | 314,000,000 | 305,540,000 | 305,540,000 |
| Gallery Mall | Commercial | Tabuk | 158,875,000 | 155,247,717 | 183,535,000 |
| Elite Commercial Center | Commercial | Jeddah | 164,000,000 | 162,876,633 | 164,300,000 |
| Ahlan Court | Commercial | Jeddah | 71,750,000 | 71,590,616 | 71,985,000 |
| Bin II Commercial Center | Commercial | Jeddah | 92,250,000 | 90,955,000 | 90,955,000 |
| | | | **976,457,500** | **960,902,685** | **998,570,000** |

**(iii)** The net asset value and per unit value of the Fund would have been as follows:

| | ***30 June 2019 SR*** |
|---|---|
| Net asset value (considering investment properties at cost) | **642,953,387** |
| Unrealised gain based on fair value of investment properties | **37,667,315** |
| **Net assets value at fair value** | **680,620,702** |
| Net assets value per unit, at cost | **9.6769** |
| Impact on net assets value per unit using the fair value of investment properties | **0.5669** |
| **Net assets value per unit at fair value** | **10.2438** |

**(iv)** Alkhabeer Capital, the Fund Manager, has formed a Special Purpose Vehicle ("SPV"), Awal Almalga Real Estate Company (the "SPV"), registered under Commercial Registration No. 1010893802 dated 19 Shawwal 1438H (corresponding to 13 July 2017). The primary objective of the SPV is to retain and register real estate assets related to real estate funds in its name.

**(v)** The title deed of all the investment properties, except for Gallery Mall (as it is a right of use under operating lease arrangement and has been fully paid in advance for the life of the lease) is registered in the name of the SPV. The SPV has confirmed that it is holding the investment properties for and on behalf of the Fund. Since the Fund is the beneficial owner of these properties, the investment properties have been recorded in the financial statements.

**(vi)** In accordance with article 21 of the Real Estate Investment Funds Regulations issued by Capital Market Authority (CMA), Saudi Arabia, the Fund manager evaluates the fair value of the Fund's real estate assets based on two valuations prepared by the independent valuators. However, in accordance with IFRS endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), investment in real estate properties are carried at cost less accumulated depreciation in these interim condensed financial statements.

**(vii)** The valuation of the investment properties as at 30 June 2019 is carried out by White Cubes and Abaad, which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM).

## 8 RENT AND OTHER RECEIVABLES AND PREPAYMENTS

| | *30 June 2019* *SR* |
|---|---|
| Rental income receivable | **20,519,989** |
| VAT receivables | **559,898** |
| Others | **941,973** |
| | **22,021,860** |

## 9 BANK LOAN

The Fund has obtained a loan with a local bank in the normal course of its business and at commercial terms (SIBOR 6M + 2.25% per annum) maturing over a period of 5 years. The loan is secured against future rental collections.

## 10 ADVANCES, ACCRUED EXPENSES AND OTHER PAYABLES

Advances, accrued expenses and other payables at 30 June 2019 comprise of the following:

| | *30 June 2019* *SR* |
|---|---|
| Advance rent | **3,945,081** |
| Accrued property management expenses | **456,814** |
| Valuation Fees Payable | **115,000** |
| Other | **44,630** |
| | **4,561,525** |

## 11 RELATED PARTY TRANSACTIONS AND BALANCES

Significant related party transactions for the period from 16 December 2018 to 30 June 2019 are summarized below:

| *Name of related party* | *Nature of transaction* | *Amounts of transactions For the period from 16 December 2018 to 30 June 2019* *SR* | *Balances payable* *30 June 2019* *SR* |
|---|---|---|---|
| Alkhabeer Capital (Fund Manager) | Expenses incurred by the Fund Manager on behalf of the Fund | **17,583,693** | **109,891** |
| | Management fees | **1,327,363** | **1,327,363** |
| Alinma Investment Company | Administration fees | **48,020** | **48,020** |
| | Custody fees | **70,447** | **70,447** |
| | | | **1,555,721** |

## 11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) As at 30 June 2019, the bank accounts of the Fund, amounting to SR 0.8 million and SR 12.3 million are in the name of the Fund Manager and the SPV respectively, acting on behalf of the Fund.

b) At 30 June 2019, the Fund Manager had an investment in the Fund of 4,894,450 units valued at SR 45.5 million.

## 12 LAST VALUATION DAY

The last valuation day for the period was 30 June 2019.

## 13 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were authorized for issue by the Fund Board on 30 July 2019 (27 Dhul-Qi’dah 1440H).