

**AL RAJHI REIT FUND**  
**(Managed by Al Rajhi Capital)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT ON REVIEW**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

CONDENSED INTERIM FINANCIAL STATEMENTS  
30 JUNE 2020

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**Independent auditors' review report  
on the condensed interim financial statements to the unitholders of  
Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)**

**Introduction:**

We have reviewed the accompanying condensed interim statement of financial position of Al Rajhi REIT Fund ("the Fund") being managed by Al Rajhi Capital ( the "Fund Manager") as at 30 June 2020, and the related condensed interim statements of comprehensive income, changes in net assets and cash flows for the six-month period then ended, and notes comprising a summary of significant accounting policies and other explanatory notes. The Fund Manager is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 – "Interim Financial Reporting ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

**Scope of review:**

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

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Alluhaid & Alyahya Chartered Accountants



Turki A. Alluhaid  
Certified Public Accountant  
Registration No. 438

Riyadh: 22 Thul Hijjah 1441H  
(12 August 2020)



Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		154,660	125,000
Rental income receivable	6	23,877,757	5,196,685
Investment measured at fair value through profit and loss	7	80,860,586	-
Advance for investment measured at fair value through profit and loss	7	-	40,041,193
Accrued rental income		3,379,351	1,830,048
Prepayment and other assets		671,900	37,160,370
<b>TOTAL CURRENT ASSETS</b>		<b>108,944,254</b>	<b>84,353,296</b>
<b>NON-CURRENT ASSETS</b>			
Investment properties	8	2,229,054,403	2,301,847,933
<b>TOTAL ASSETS</b>		<b>2,337,998,657</b>	<b>2,386,201,229</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Deferred rental income		9,244,322	9,036,161
Accrued expenses and other liabilities	10	6,200,040	7,041,390
Accrued management fee	12	4,508,970	431,015
Borrowings – current portion	12	399,906,600	254,500,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>419,859,932</b>	<b>271,008,566</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings - non current portion	12	391,347,418	536,753,536
<b>TOTAL LIABILITIES</b>		<b>811,207,350</b>	<b>807,762,102</b>
<b>NET ASSETS ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDERS</b>		<b>1,526,791,307</b>	<b>1,578,439,127</b>
Units in issue (number)	11	161,856,857	161,856,857
Per unit value (SR)		9.43	9.75
Per unit fair value (SR)	9.4	9.76	9.91

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six month period ended 30 June 2020 (Unaudited) SR	For the six month period ended 30 June 2019 (Unaudited) SR
<b>INCOME</b>			
Rental income from investment properties		84,959,294	56,290,842
<b>TOTAL INCOME</b>		<b>84,959,294</b>	<b>56,290,842</b>
<b>EXPENSES</b>			
Depreciation expense on investment properties	8	(14,392,346)	(8,477,116)
Management fee	12	(9,112,749)	(6,450,671)
Provision for doubtful rent receivables	6	(3,655,449)	-
Other expenses		(4,036,490)	(3,131,348)
<b>TOTAL EXPENSES</b>		<b>(31,197,034)</b>	<b>(18,059,135)</b>
<b>OPERATING PROFIT</b>		<b>53,762,260</b>	<b>38,231,707</b>
Finance cost	12	(14,022,274)	(8,788,981)
Other income		301,426	-
Realized gain from investment measured at fair value through profit and loss	7	560,793	355,526
Unrealized gain from investment measured at fair value through profit and loss	7	233,554	247,616
<b>PROFIT FOR THE PERIOD BEFORE IMPAIRMENT</b>		<b>40,835,759</b>	<b>30,045,868</b>
Provision of impairment on investment properties	8	(58,493,639)	-
<b>(LOSS) PROFIT FOR THE PERIOD AFTER IMPAIRMENT</b>		<b>(17,657,880)</b>	<b>30,045,868</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		<b>(17,657,880)</b>	<b>30,045,868</b>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**Al Rajhi REIT Fund**  
**(Managed by Al Rajhi Capital)**

**CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS**

	<i>For the six month period ended 30 June 2020 (Unaudited) SR</i>	<i>For the six month period ended 30 June 2019 (Unaudited) SR</i>
<b>NET ASSET VALUE ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDER AT THE BEGINNING OF THE PERIOD</b>	1,578,439,127	1,250,411,446
(Loss) profit for the period	(17,657,880)	30,045,868
Other comprehensive income for the period	-	-
Total comprehensive (loss) profit for the period	(17,657,880)	30,045,868
<b>CHANGES FROM UNIT TRANSACTIONS:</b>		
- Subscription of units – cash	-	-
- Subscription of units – for consideration other than cash	-	-
Dividends distribution during the period (note 16)	(33,989,940)	(37,947,139)
<b>NET ASSET VALUE ATTRIBUTABLE TO THE REDEEMABLE UNITHOLDER AT THE END OF THE PERIOD</b>	<u>1,526,791,307</u>	<u>1,242,510,175</u>

Transactions in units for the period ended are summarised as follows:

	<i>For the six month period ended 30 June 2020 (Unaudited) Units</i>	<i>For the six month period ended 30 June 2019 (Unaudited) Units</i>
<b>UNITS AT THE BEGINNING OF THE PERIOD</b>	161,856,857	122,200,609
- Subscription of units - cash	-	-
- Subscription of units - for consideration other than cash	-	-
<b>UNITS AT THE END OF THE PERIOD</b>	<u>161,856,857</u>	<u>122,200,609</u>
<b>NET ASSETS VALUE PER UNIT AT THE END OF THE PERIOD</b>	<u>9.43</u>	<u>10.17</u>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**Al Rajhi REIT Fund**  
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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**

	Note	<i>For the six month period ended 30 June 2020 (Unaudited) SR</i>	<i>For the six month period ended 30 June 2019 (Unaudited) SR</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) profit for the period		(17,657,880)	30,045,868
<i>Adjustment to reconcile net (loss) profit to net cash from operating activities:</i>			
Provision of impairment on investment properties	8	58,493,639	-
Depreciation expense on investment properties	8	14,392,346	8,477,116
Provision for doubtful rent receivable	6	3,655,449	-
Realized gain from investments measured at fair value through profit and loss	7	(560,794)	(355,526)
Unrealised gain from investments measured at fair value through profit and loss	7	(233,553)	(247,616)
		<u>58,089,207</u>	<u>37,919,842</u>
<i>Working capital adjustments:</i>			
Rental income receivable, net		(22,336,521)	4,269,705
Prepayment and other assets		34,939,167	1,149,146
Accrued management fee		4,077,955	290,279
Deferred rental income		208,161	1,959,789
Accrued expenses and other liabilities		(841,350)	(7,185,268)
Due from related parties		-	5,027,724
Due to related parties		-	(3,459,696)
Net cash flows from operating activities		<u>74,136,619</u>	<u>39,971,521</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Purchase of investment properties	8	(92,455)	(212,885)
Purchase of investment measured at fair value through profit and loss	7	(197,847,539)	(1,390,000)
Sale of investment measured at fair value through profit and loss	7	117,781,300	-
Advance for investment measured at fair value through profit and loss	7	40,041,193	-
Net cash flows used in investing activities		<u>(40,117,501)</u>	<u>(1,602,885)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Dividend paid	17	(33,989,940)	(37,947,139)
Borrowings	12	482	-
Net cash flows used in financing activities		<u>(33,989,458)</u>	<u>(37,947,139)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>29,660</b>	<b>421,497</b>
Cash and cash equivalents at the beginning of the period		<u>125,000</u>	<u>5,711</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	12	<u><u>154,660</u></u>	<u><u>427,208</u></u>

The accompanying notes 1 to 20 form an integral part of these interim condensed financial statements.

**Al Rajhi REIT Fund**  
**(Managed by Al Rajhi Capital)**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

30 June 2020

**1 CORPORATE INFORMATION**

Al Rajhi REIT Fund (the "Fund" or "REIT") is a closed-ended shariah compliant real estate investment traded fund established on 3 Rajab 1439H (corresponding to 20 March 2018). The Fund operates in accordance with Real Estate Investment Fund Regulations ("REIFR") and Real Estate Investment Traded Funds ("REITF") Instructions issued by the Capital Market Authority ("CMA"). The Fund is listed on the Saudi Stock Exchange ("Tadawul") and the units of the Fund started to be traded on Tadawul in accordance with its rules and regulations on 3 Rajab 1439H (corresponding to 20 March 2018). The initial subscribed units of the Fund were 122,200,609 units at par value of SAR 10 per unit resulting in capital of SAR 1,222,006,090. However, during the year 2019, as a part of increasing its total assets, the Fund issued 39,656,248 new units of par value SAR 10 per unit at an issue price of SAR 8.8 per unit. Thus, currently the total subscribed units of the Fund stand at 161,856,857 units. The Fund has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of Fund Board and followed by CMA.

The Fund is managed by Al Rajhi Capital (the "Fund Manager"), a Saudi closed joint stock company with commercial registration no.1010241681, and an authorised person licensed by the Capital Market Authority ("CMA") under license no. 07068-37 dated 25 June 2007. The primary investment objective of the Fund is to provide its investors with regular income by investing in income generating real estate assets in Saudi Arabia.

The Fund currently has a diversified portfolio of 18 properties (31 December 2019:18 properties) across various sectors such as retail, education, commercial offices, logistics and healthcare. Out of these 18 properties, 4 properties were acquired during 2019 as part of Fund's total assets increase process.

The Fund's Manager registered office is King Fahd Branch Road, Al Muruj District, Riyadh 12214, Kingdom of Saudi Arabia.

**2 REGULATING AUTHORITY**

The Fund is governed by the REIFR and REIT instructions published by the CMA in the Kingdom of Saudi Arabia dated 10 Rabi Al-Thani 1439H (corresponding to 28 December 2018) and REITF instructions published by CMA dated 19 Jumada Al-Akhirah 1439H (corresponding to 7 March 2018), detailing requirements for all real estate funds operating within the Kingdom of Saudi Arabia.

**3 BASIS OF PREPARATION**

**3.1 Statement of compliance**

These condensed interim financial statements for the six-month period ended 30 June 2020 of the Fund have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

The condensed interim financial statements do not include all information and disclosure required in the annual financial statements and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019.

**3.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, using accrual basis of accounting and the going concern concept except for financial assets at fair value through profit or loss that have been measured at fair value.

**3.3 Functional and presentation currency**

These financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Fund. All financial information has been rounded off to the nearest SR.

**3.4 Comparative information**

The Fund has presented the comparative information for the period ended 30 June 2019 in the condensed interim statements of comprehensive income, changes in net assets and cash flows. For the statement of financial position, the comparative information is as at 31 December 2019.



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

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates, assumptions and going concern that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are reviewed and in any future period affected. The significant accounting judgments and estimates applied in the preparation of these financial statements are as follows:

**4.1 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 change in depreciation charges, if any, are adjusted in current and future periods. The estimated useful lives of the investment properties are disclosed in note 8.1.

**4.2 Impairment of investment properties**

The Fund assesses whether there are any indicators of impairment for all investment properties at each reporting date. The investment properties are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

**4.3 Impairment of financial assets held at amortised cost**

The Fund recognises an allowance for expected credit losses (ECLs) for all debt instruments 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

As at the period end, the Fund has rental income receivable as financial assets carried at amortised cost. For rental income receivables and contract assets, the Fund applies a simplified approach in calculating ECLs. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established an allowance matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**4.4 Fair value measurement**

The Fund measures its financial instruments at fair value at each reporting date. 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 to 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted prices available on respective stock exchange, without any deduction for transaction costs. The Fund is using last traded prices which is recognised as standard pricing convention within the industry.

Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

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

**4.4 Fair value measurement (continued)**

For all other financial instruments not traded in an active market, if any, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Fund measures financial instruments at fair value at each statement of financial position date. Fair values of those financial instruments are disclosed in note 9.1 and 13 in these financial statements.

**4.5 Impact of COVID 19**

At the beginning of the year 2020, the presence of COVID 19 virus was confirmed, which spread all over the world causing disturbance of commercial and economic activities. Accordingly, during the period ended 30 June 2020, the Fund has received a number of requests from tenants to provide concession on the due rents until the end of precautionary measures that were implemented to contain the spread of the coronavirus outbreak (COVID-19) aiming to protect citizens and residents by closing of commercial complexes until further notice in addition to a full curfew. The total value of requests under review represents 5.5% of the Fund's total rent as at 30 June 2020. The Fund Board discussed about various possible options available and it was decided that the requests which are having direct impact i.e. closure of business due to government's precautionary measure order can be potentially accepted subject to tenants furnishing proof of closure of business during the government mandated closure period. For tenant requests that are not related to COVID-19 precautionary measures, were rejected. The fund manager may engage in discussion with tenants on finding other ways to support them.

The Fund continues to determine net asset values with the frequency as set out in the offering documents, consistently applying valuation policies and reflective of prevailing market conditions. In determining the investment property valuations as of 30 June 2020, the Fund has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and has taken into account the economic and relief measures it has to extend to its tenants. As a result, the Fund management has charged a provision of impairment amounting SR 58.49 million due to reduced valuations of real estate (note 8) and has charged expected credit losses amounting SR 3.66 million arising on the financial assets (note 6) for the period ended 30 June 2020. The impact has been treated as an impairment and an allowance for doubtful debts respectively in the condensed interim financial statements.

Any changes made to valuations to estimate the overall impact of COVID-19 is subject to extremely high levels of uncertainty, as little reasonable and supportable forward-looking information is currently available on which to base those changes.

As with any economic forecasts, the projections and likelihoods of the occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

**4.6 Going concern**

As at 30 June 2020, the Fund's current liabilities exceeds its current assets by SR 310,915,678, mainly on account of loan facilities from Al Rajhi Bank, accumulated due as of 30 June 2020 by an amount of SR 791,254,018. However, subsequent to the period end, the Fund will sign an Islamic Finance Agreement with Al Rajhi Bank, which will correct the assets liabilities mismatch existing as of 30 June 2020.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1 Cash and cash equivalents**

For the purposes of cash flows statement, cash and cash equivalents consists of bank balances.

**5.2 Receivables**

Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.3 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. In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

**5.3.1 Initial recognition and measurement**

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

***Financial assets measured at amortised cost***

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, and other receivables. The Fund initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

***Financial asset at fair value through profit or loss***

A financial asset is measured at fair value through profit or loss (fair value through profit and loss) if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding;

Or

(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell;

Or

(c) At initial recognition, it is irrevocably designated as measured at fair value through profit and loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

*Investments measured at fair value through profit and loss:* These include investments in the commodity Funds to manage them on a fair value basis for investment income and fair value gains.

The Fund's financial assets include Financial assets at fair value through profit and loss.

**5.3.2 Subsequent measurement**

Financial assets are subsequently measured at amortised cost or fair value through profit and loss. There are two criteria used to determine how financial assets should be classified and measured:

- a) The Fund's business model for managing the financial assets; and
- b) The contractual cash flow characteristics of the financial asset

A financial asset is measured at amortised cost if 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. Otherwise, a financial asset is measured at fair value through profit and loss.

The subsequent measurement of financial assets depends on their classification as described below:

***Financial assets at fair value through profit or loss***

Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit and loss in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

The Fund derecognises a financial asset when the rights to the cash flows from the financial asset have expired or where the Fund has transferred substantially all risks and rewards associated with the financial asset and does not retain control of the financial asset.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.4 Impairment of non-financial assets**

The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

**5.5 Financial liabilities – subsequent classification and measurement**

Financial liabilities are subsequently measured at amortised cost using the effective interest rate ("EIR") method. The EIR is the rate that discounts the estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

The Fund derecognises a financial liability (or part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

The Fund's financial liabilities include deferred rental income, accrued management fee and accrued expenses.

**5.6 Offsetting of financial instruments**

Financial assets and liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and liabilities simultaneously.

**5.7 Investment properties**

Investment properties comprise completed properties that are held to earn rentals or for capital appreciation or both. Investment property is stated at cost including transaction costs net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

The cost less estimated residual value, if any, of investment property is depreciated on a straight-line basis over the estimated useful lives of the assets. Land, on the other hand, is reported at cost. The fair value of investment properties is disclosed in note 9.1 in these financial statements.

**5.8 Accrued expenses and other liabilities**

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

**5.9 Provision**

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**5.10 Zakat**

Zakat is the obligation of the unitholders and is not presented in the financial statements of the Fund.

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**5.11 Revenue recognition**

The Fund recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15, *Revenue from Contracts with Customers*:

- Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Fund expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Fund will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Fund expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Fund satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Fund's performance as the Fund performs; or
- The Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Fund's performance does not create an asset with an alternative use to the Fund and the Fund has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Fund satisfies a performance obligation by delivering the promised services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

The specific recognition criteria described below must also be met before revenue is recognised.

**Rental income**

Rental income from operating lease of property is recognised on a straight-line basis over the term of the operating lease.

**5.12 Management fee**

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 0.8 percent per annum of the Fund's total assets value based on the last evaluation net of Fund expenses and is paid on quarterly basis.

**5.13 Custodian fee**

The Fund pays a custodian a fee of 185,000 riyals annually, which is accrued on a daily basis and paid quarterly to the Custodian of the Fund.

**5.14 Transaction fee**

The Fund Manager charges the Fund, one-time acquisition fee at the rate of 1 percent on the acquisition or sale price of the real estate assets.

**5.15 New standards, amendments and interpretations effective from 1 January 2020**

At the date of authorisation of the financial statements, there were a number of standards and interpretations which were in issue but not yet effective. The Fund is assessing the impact of these standards and anticipates that the adoption of these standards and interpretations in future periods will not have a significant impact on its financial statements.

Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.15 *New standards, amendments and interpretations effective from 1 January 2020 (continued)*

<u>Description</u>	<u>Effective Date</u>
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting issued on 29 March 2018	1 January 2020

In the opinion of the Board of Directors of the Fund, these standards, amendments to standards and interpretations will clearly not impact the Fund as the Fund has no application to the above-mentioned standards.

5.16 *Changes in accounting policies and disclosure*

The significant accounting policies used in the preparation of these financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year ended 31 December 2019 and period ended 30 June 2019, respectively. There is no change in accounting policy during the current period.

6 RENTAL INCOME RECEIVABLE

This account represents the rent receivable from the investment properties in accordance with the terms of the corresponding tenancy agreements. The rent receivables are current in nature, settled within a short period of time.

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Rental income receivable	31,498,518	9,161,997
Less: Allowance for doubtful debts	(7,620,761)	(3,965,312)
	<u>23,877,757</u>	<u>5,196,685</u>

The following is the aging analysis of the rent receivables as at the reporting date:

	30 June 2020 (Unaudited) SR	31 December 2019 (Audited) SR
Less than 30 days	2,489,437	4,025,477
Between 31 to 180 days	23,316,274	1,367,895
More than 180 days	5,692,807	3,768,625
	<u>31,498,518</u>	<u>9,161,997</u>

The following is the movement of allowance for doubtful debts as at:

	<i>For the period from 1 January 2020 to 30 June 2020</i> (Unaudited) SR	31 December 2019 (Audited) SR
At the beginning of the period / year	3,965,312	-
Allowance made during the period / year	3,655,449	3,965,312
At the end of the period / year	<u>7,620,761</u>	<u>3,965,312</u>

Al Rajhi REIT Fund  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

7 INVESTMENT MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

<i>30 June 2020 (Unaudited)</i>	<i>Fund Manager</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market Value</i>
Al Rajhi Commodity Fund SAR	Rajhi Capital	<u>503,769</u>	<u>80,627,033</u>	<u>80,860,586</u>
<i>31 December 2019 (Audited)</i>	<i>Fund Manager</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market Value</i>
Al Rajhi Commodity Fund SAR	Rajhi Capital	<u>-</u>	<u>-</u>	<u>-</u>

As at 31 December 2019, SAR 40,041,193 was paid for subscription of units in Al Rajhi Commodity Fund-SAR and was accounted for as advance for investment measured at fair value through profit and loss. These units were issued on 1 January 2020 and accordingly had been accounted for as investment measured at fair value through profit and loss.

The following is the movement in investments during the period ended:

	<i>For the period from 1 January 2020 to 30 June 2020 (Unaudited) SR</i>	<i>For the period from 1 January 2019 to 30 June 2019 (Unaudited) SR</i>
At the beginning of the period	-	59,390,460
Purchase during the period	197,847,539	1,390,000
Sale during the period	(117,781,300)	-
Realized gain measured at fair value through profit and loss	560,794	355,526
Unrealized gain measured at fair value through profit and loss	233,553	247,616
At the end of the period	<u>80,860,586</u>	<u>61,383,602</u>

Al Rajhi REIT Fund  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

**8 INVESTMENT PROPERTIES**

The composition of the investment properties as of the reporting date is summarized below:

*As at 30 June 2020*

	<i>Land SR</i>	<i>Building SR (Unaudited)</i>	<i>Total SR</i>
<b>Cost:</b>			
At the beginning of the period	1,308,700,218	1,024,830,222	2,333,530,440
Additions during the period	-	92,455	92,455
At the end of the period	<u>1,308,700,218</u>	<u>1,024,922,677</u>	<u>2,333,622,895</u>
<b>Accumulated depreciation:</b>			
At the beginning of the period	-	(31,682,507)	(31,682,507)
Charge for the period	-	(14,392,346)	(14,392,346)
At the end of the period	<u>-</u>	<u>(46,074,853)</u>	<u>(46,074,853)</u>
<b>Impairment:</b>			
Provision of impairment on investment properties (note 8.3)	-	(58,493,639)	(58,493,639)
<b>Book Value as at 30 June 2020</b>	<b><u>1,308,700,218</u></b>	<b><u>920,354,185</u></b>	<b><u>2,229,054,403</u></b>

*As at 31 December 2019*

	<i>Land SR</i>	<i>Building SR (Audited)</i>	<i>Total SR</i>
<b>Cost:</b>			
At the beginning of the year	1,087,778,260	592,579,593	1,680,357,853
Additions during the year	220,921,958	432,250,629	653,172,587
At the end of the year	<u>1,308,700,218</u>	<u>1,024,830,222</u>	<u>2,333,530,440</u>
<b>Accumulated depreciation:</b>			
At the beginning of the year	-	(13,747,800)	(13,747,800)
Charge for the year	-	(17,934,707)	(17,934,707)
At the end of the year	<u>-</u>	<u>(31,682,507)</u>	<u>(31,682,507)</u>
<b>Book Value as at 3 December 2019</b>	<b><u>1,308,700,218</u></b>	<b><u>993,147,715</u></b>	<b><u>2,301,847,933</u></b>



**Al Rajhi REIT Fund**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
30 June 2020

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**8 INVESTMENT PROPERTIES (continued)**

The investment properties represent eighteen properties. Listed below are the details of these investment properties:

- The Jarir Al Ahsa investment is located in Riyadh and is classified as in the retail sector. This asset is now multi-tenanted since June 2018.
- The Faris International School investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.
- The Mutlaq Lulu investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Anwar Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Narjes Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Rama Plaza investment is located in Riyadh and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Marwah Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Madain Fahad Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Rawda Jeddah investment is located in Jeddah and is classified as in the retail sector. This asset is a triple net lease.
- The Panda Khamis Mushait investment is located in Khamis Mushait and is classified as in the retail sector. This asset is a triple net lease.
- The Al Andalus investment is located in Jeddah and is classified as in the commercial sector. This asset is multi-tenanted.
- The Blue Tower investment is located in Al Khobar and is classified as in the commercial sector. This asset is a triple net lease.
- The Luluah Warehouse investment is located in Riyadh and is classified as in the logistics sector. This asset is a triple net lease.
- The Lulu Central Logistics Warehouse investment is located in Riyadh and is classified as in the logistics sector. This asset is a triple net lease.
- The Al Salam NMC Hospital investment is located in Riyadh and is classified as in the healthcare sector. This asset is a triple net lease.
- The Rowad Al Khaleej International School investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.
- Rowad Al Khaleej International School investment is located in Dammam and is classified as in the education sector. This asset is a triple net lease.
- The Baream Rowad Al Khaleej Kindergarten investment is located in Riyadh and is classified as in the education sector. This asset is a triple net lease.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
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**8 INVESTMENT PROPERTIES (continued)**

**8.1** - The Fund has the policy of charging depreciation on the building with a useful life of 33 years. The depreciation is charged on depreciable amount i.e. cost less residual value.

**8.2** - All properties are held in the name of Al-Rajhi Development Company, Privileged Warehouse Company 2 and Gulf Fund Company for development and real estate investment (the "SPV"). The SPV are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

**8.3** - The investment properties were tested for impairment and the management noted that some of the properties carrying amount are more than its fair market value. Accordingly, the management provided provision of impairment of SR 58,493,639 for the six month period ended 30 June 2020 (30 June 2019: SR nil) to adjust the value of its investment properties to its recoverable amount.

**9 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED**

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with accounting policy of the Fund, investment properties are carried at cost less accumulated depreciation and impairment, if any

The fair value of the investment properties is determined by two selected appraisers for each of the 18 properties. The appraisers that evaluated these properties are Olat Valuation Company, ValuStrat Consulting Company and White Cubes Real Estate Company. They are accredited independent valuers with a recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued.

The valuation models have been applied in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards, in addition to recently published International Valuation Standards issued by International Valuation Standards Council (IVSC) and applied by Saudi Authority for Accredited Valuers (TAQEEM). These models comprise both the income capitalisation approach and depreciated replacement cost (DRC).

**9.1** As at 30 June 2020, the valuation of the investment, properties are as follows:

	<i>Appraiser 1</i> SR	<i>Appraiser 2</i> SR	<i>Average</i> SR
<b>30 June 2020</b>			
Investment properties	<u>2,334,085,000</u>	<u>2,230,960,000</u>	<u>2,282,522,500</u>
<b>31 December 2019</b>			
Investment properties	<u>2,383,876,683</u>	<u>2,270,266,068</u>	<u>2,327,071,376</u>

Al Rajhi REIT Fund  
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

**9 EFFECT ON NET ASSET VALUE IF INVESTMENTS IN REAL ESTATE PROPERTIES ARE FAIR VALUED (continued)**

The Fund management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties. The investment properties were valued taking into consideration number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial and fragmentation plot analysis, the income method, and residual value method. The fair value versus cost analysis of the investment properties is presented in note 9.2.

**9.2** The unrealized gain (loss) on investment properties based on fair value evaluation is set out below:

	<i>30 June 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Fair value of investments in real estate properties (note 9.1)	<b>2,282,522,500</b>	2,327,071,376
Less: Carrying value of investments in real estate properties (note 8)	<b>(2,229,054,403)</b>	(2,301,847,933)
Net impact based on fair value evaluation	<b>53,468,097</b>	25,223,443
Units in issue (numbers)	<b>161,856,857</b>	161,856,857
Impact per unit share based on fair value evaluation	<b>0.33</b>	0.16

**9.3** The net asset value using the fair values of the real estate properties is set out below:

	<i>30 June 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Net asset value at cost, as presented in these financial statements	<b>1,526,791,307</b>	1,578,439,127
Net impact based on real estate evaluations (note 9.2)	<b>53,468,097</b>	25,223,443
Net asset based on fair value	<b>1,580,259,404</b>	1,603,662,570

**9.4** The net asset value per unit, using the fair values of the real estate properties is set out below:

	<i>30 June 2020 (Unaudited) SR</i>	<i>31 December 2019 (Audited) SR</i>
Net asset value per unit, at cost as presented in these financial statements	<b>9.43</b>	9.75
Impact on net asset value per unit on account of unrealised loss based on fair value evaluations (note 9.2)	<b>0.33</b>	0.16
Net asset value per unit at fair value	<b>9.76</b>	9.91

**Al Rajhi REIT Fund**  
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
**30 June 2020**

**10 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<i>30 June 2020</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December 2019</i> <i>(Audited)</i> <i>SR</i>
Special commission payable	2,881,789	3,317,843
Property level accrued expenses	1,550,872	730,229
Accounts payable and accrued Expenses	995,830	995,221
Other liabilities	771,549	1,998,097
	<u>6,200,040</u>	<u>7,041,390</u>

**11 UNIT TRANSACTIONS**

Transaction in units of the Fund for the period ended is summarised as follows:

	<i>For the period from</i> <i>1 January 2020 to 30</i> <i>June 2020</i> <i>(Unaudited)</i> <i>Units</i>	<i>For the period from 1</i> <i>January 2019 to 30</i> <i>June 2019</i> <i>(Unaudited)</i> <i>Units</i>
Units at the beginning of the period	161,856,857	122,200,609
Units issued during the period for consideration in cash	-	-
Units issued during the period for consideration other than cash	-	-
Units at the end of the period	<u>161,856,857</u>	<u>122,200,609</u>

**12 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties of the Fund include "Al Rajhi Capital" being the Fund Manager, Al Rajhi Bank (being the shareholder of Al Rajhi Capital), the Fund which is managed by the Fund Board of Director, KASB Capital (being the custodian of the Funds) and any party that has the ability to control other party or exercise significant influence over the other party in making financial or operational decisions.

In the ordinary course of its activities, the Fund transacts business with related parties. The related party transactions are governed by limits set by the regulations issued by the CMA. All related party transactions are disclosed to the Fund Board of Director.

Al Rajhi REIT Fund  
(Managed by Al Rajhi Capital)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The significant related party transactions entered into by the Fund during the period and the balances resulting from such transactions are as follows:

Related Party	Nature of transaction	Amount of transaction		Balance receivable / (payable)	
		For the period ended 30 June 2020 (Unaudited)	For the period ended 30 June 2019 (Unaudited)	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Al Rajhi Capital	Management fee	9,112,749	3,639,571	(3,247,039)	(431,015)
	Expenses Paid on behalf of the Fund	-	682,064	-	-
Al Rajhi Bank	Finance cost *	14,022,274	8,788,981	(2,881,789)	(3,317,843)
	Loan Facility - current**	-	-	(399,906,600)	(254,500,000)
	Loan Facility - non current**	482	-	(391,347,418)	(536,753,536)
	Cash at bank	-	-	154,660	125,000
Al Rajhi Real Estate Income Fund	Income received on behalf of Fund	-	5,158,854	-	-
KASB Capital	Custodian fees*	92,500	27,948	(189,256)	(96,755)
Al Rajhi Commodity SAR Fund	Advance for investment measured at fair value through profit and loss	-	-	-	40,041,193
	Investment measured at fair value through profit and loss	40,025,046	1,390,000	80,860,586	-

\*Accrued finance cost and custodian fee are included in the condensed interim statement of financial position under accrued expenses and other liabilities.

\*\*The Fund has inherited the loan of SAR 399,906,600 from Al Rajhi Real Estate Income Fund, which was converted into REIT by way of in kind contribution. The loan was drawn down in 2 tranches. Tranche 1 was of SAR 254,500,000 and Tranche 2 of SAR 145,406,600. This loan was assigned to Privileged Warehouse Company 2, a SPV acting on behalf of Al Rajhi Real Estate Income Fund. Privileged Warehouse Company 2 is now an SPV of the Fund and continues to service the liability of this loan. Tranche 1 of the loan is secured by pledge of Jarir Book Store Building, Al Mutlaq Building, Anwar Mall, Narjes Mall and Rama Mall. The maturity date of the principal of Tranche 1 will be on 20 December 2020. Tranche 2 of the loan is secured by pledge of Al Faris International School Building and Aziza Panda Marwah. The maturity date of the principal will be on 23 March 2021. Both tranches carry fixed finance cost of 3.78%. The finance cost is being paid over five years on a semiannual basis.

On 30 October 2018, the Fund has obtained a Shariah facility of SR 57,007,000 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 19 August 2019, the Fund has obtained a Shariah facility of SR 57,550,995 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 6 November 2019, the Fund has obtained a Shariah facility of SR 118,602,000 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

On 18 December 2019, the Fund has obtained a Shariah facility of SR 92,302,508 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)  
30 June 2020

**12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

On 22 December 2019, the Fund has obtained a Shariah facility of SR 65,884,433 from Al Rajhi Bank, an affiliate of the Fund Manager. The facility has a variable profit rate of 3M SAIBOR+1.5%, the term of the facility is 7 years.

**13 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.

Assets and liabilities for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets consist of rental income receivables, accrued rental income and prepayments and other assets. Financial liabilities consist of deferred rental income, accrued management fee and accrued expenses. The fair values of financial assets and financial liabilities are not materially different from their carrying values.

The following table shows the fair value of financial instruments disclosed as at period / year end:

<i>30 June 2020 (Unaudited)</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<i>Investments measured at fair value through profit and loss (note 7)</i>	<b>80,860,586</b>	-	-	<b>80,860,586</b>
<i>Investment properties (note 9)</i>	-	<b>2,282,522,500</b>	-	<b>2,282,522,500</b>
<b>Total</b>	<b>80,860,586</b>	<b>2,282,522,500</b>	-	<b>2,363,383,086</b>
<i>31 December 2019 (Audited)</i>	<i>Level 1 SR</i>	<i>Level 2 SR</i>	<i>Level 3 SR</i>	<i>Total SR</i>
<i>Investments measured at fair value through profit and loss (note 7)</i>	-	-	-	-
<i>Investment properties (note 9)</i>	-	<b>2,327,071,376</b>	-	<b>2,327,071,376</b>
<b>Total</b>	-	<b>2,327,071,376</b>	-	<b>2,327,071,376</b>

When the fair value of items disclosed in these condensed interim financial statements cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs related to items such as credit risk, correlation and volatility.

Changes in assumptions about these factors could affect the fair value of items disclosed in these financial statements and the level where the items are disclosed in the fair value hierarchy.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**  
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**14 SEGMENT REPORTING**

The Fund has invested in eighteen real estate investment properties within the Kingdom of Saudi Arabia. All of the Fund's activities are interrelated and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment.

**15 CHANGES IN FUND'S TERMS AND CONDITIONS**

During the period ended 30 June 2020, the Fund Manager has made certain changes to the terms and conditions of the Fund stated as follows:

- Appointment of Alluhaid & Alyahya Chartered Accountants as auditor of the Fund with an annual fees of SR 55,000.
- Amendment in list of Fund Board Members as a result of resignation of Mr. Gaurav Shah.

**16 DIVIDENDS DISTRIBUTION**

In accordance with the approved terms and conditions of the Fund on 9 February 2020, the Fund's Board approved to distribute dividends for the year ended 31 December 2019 amounting to SAR 0.21 per unit totalling SAR 33,989,940 to its unit holders (30 June 2019: 37,947,139). The same was paid on 27 February 2020.

**17 CONTINGENCIES**

In the opinion of Fund management there are no contingencies as at the reporting date.

**18 EVENTS AFTER THE REPORTING DATE**

On 5th August 2020, the Fund's board of directors has approved to distribute a dividend for the six month period ended 30 June 2020 for an amount of SAR 0.28 per unit totalling SAR 45,319,920 to its unit holders.

**19 LAST VALUATION DAY**

The last valuation day of the period was 30 June 2020.

**20 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Fund's Board of Directors on 22 Thul Hijjah 1441H (Corresponding to 12 August 2020).