

AL RAJHI REIT FUND
(Managed by Al Rajhi Capital Company)
CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT ON REVIEW
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

CONDENSED INTERIM FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021

INDEX	PAGE
Independent auditor's report on review of the condensed interim financial statements	1
Condensed interim statement of financial position	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of changes in net assets attributable to unitholders	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial statements	6 - 14



3INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Unitholders of Al Rajhi REIT Fund
(Managed by Al Rajhi Capital Company)

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 Company (the "Fund Manager") as at 30 June 2021 and the related condensed interim statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Fund's manager is responsible for the preparation and 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 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, as 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: 9 Muharram 1443 H
(17 August 2021)



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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		64,272	125,000
Investment at fair value through profit or loss	5	55,079,785	63,875,997
Rental income receivable		51,718,614	39,694,948
Advance for investment at fair value through profit or loss		-	946,241
Accrued rental income		10,438,402	8,055,180
Prepayment and other assets		2,255,095	1,342,314
TOTAL CURRENT ASSETS		119,556,168	114,039,680
NON-CURRENT ASSETS			
Investment properties	6	2,002,890,069	2,207,965,655
TOTAL ASSETS		2,122,446,237	2,322,005,335
LIABILITIES			
CURRENT LIABILITIES			
Deferred rental income		13,842,819	12,766,899
Accrued expenses and other liabilities		6,343,595	6,390,177
Accrued management fee		4,001,878	12,613
Borrowings - current portion	8	-	145,406,600
TOTAL CURRENT LIABILITIES		24,188,292	164,576,289
NON-CURRENT LIABILITIES			
Borrowings - non-current portion	8	791,254,598	645,847,999
TOTAL LIABILITIES		815,442,890	810,424,288
NET ASSETS ATTRIBUTABLE TO THE UNITHOLDERS		1,307,003,347	1,511,581,047
Units in issue (number)		161,856,857	161,856,857
Per unit value (SR)		8.08	9.34
Per unit fair value (SR)	7.4	8.24	9.75

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the six-month period ended 30 June 2021

	<i>Notes</i>	30 June 2021	30 June 2020
		SR	SR
INCOME			
Rental income from investment properties		82,333,656	84,959,294
Other income		-	301,426
Realised gain from investment measured at fair value through profit or loss	5	310,451	560,793
Unrealised (loss) gain from investment measured at fair value through profit or loss	5	(61,769)	233,554
TOTAL INCOME		82,582,338	86,055,067
EXPENSES			
Depreciation	6	(14,531,518)	(14,392,346)
Finance costs	8	(10,696,433)	(14,022,274)
Management fee	8	(8,439,453)	(9,112,749)
Impairment loss on doubtful receivables		(13,946,625)	(3,655,449)
Other operating expenses		(3,682,021)	(4,036,490)
TOTAL EXPENSES		(51,296,050)	(45,219,308)
PROFIT FOR THE PERIOD BEFORE IMPAIRMENT		31,286,288	40,835,759
Impairment on investment properties		(190,544,068)	(58,493,639)
LOSS FOR THE PERIOD AFTER IMPAIRMENT		(159,257,780)	(17,657,880)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(159,257,780)	(17,657,880)

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six-month period ended 30 June 2021

	<i>30 June 2021</i>	<i>30 June 2020</i>
	SR	SR
NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS AT THE BEGINNING OF THE PERIOD (AUDITED)	1,511,581,047	1,578,439,127
Total comprehensive loss for the period	(159,257,780)	(17,657,880)
Dividends (note 12)	(45,319,920)	(33,989,940)
NET ASSET VALUE ATTRIBUTABLE TO THE UNITHOLDERS AT THE END OF THE PERIOD (UNAUDITED)	<u>1,307,003,347</u>	<u>1,526,791,307</u>

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2021

	Note	30 June 2021 SR	30 June 2020 SR
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period		(159,257,780)	(17,657,880)
<i>Adjustments to reconcile net loss to net cash flows:</i>			
Impairment loss on investment properties	6	190,544,068	58,493,639
Depreciation	6	14,531,518	14,392,346
Impairment loss on doubtful receivables		13,946,625	3,655,449
Finance costs	8	10,696,433	14,022,274
Unrealised loss / (gain) from investment at fair value through profit or loss		61,769	(233,554)
		<u>70,522,633</u>	<u>72,672,274</u>
<i>Working capital adjustments:</i>			
Rental income receivable		(33,363,549)	(27,881,465)
Accrued rental income		(2,383,222)	(1,549,303)
Prepayment and other assets		(912,781)	36,488,470
Deferred rental income		1,075,920	208,161
Accrued expenses and other liabilities		576,907	(405,295)
Accrued management fee		3,989,265	4,077,955
		<u>39,505,173</u>	<u>83,610,797</u>
Finance costs paid		(11,319,922)	(14,458,328)
Net cash flows from operating activities		<u>28,185,251</u>	<u>69,152,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment properties	6	-	(92,455)
Purchase of investment at fair value through profit or loss		(46,448,268)	(197,847,539)
Proceeds from sale of investment at fair value through profit or loss		55,182,711	117,220,506
Advance for investment at fair value through profit or loss		946,241	40,041,193
Net cash flows from (used in) investing activities		<u>9,680,684</u>	<u>(40,678,295)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	12	(37,926,662)	(28,444,996)
Borrowings	8	(1)	482
Net cash flows used in financing activities		<u>(37,926,663)</u>	<u>(28,444,514)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		(60,728)	29,660
Cash and cash equivalents at the beginning of the period		<u>125,000</u>	<u>125,000</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>64,272</u></u>	<u><u>154,660</u></u>
<u>NON-CASH TRANSACTIONS</u>			
Dividends netted off against rental income receivable	8	<u>7,393,258</u>	<u>5,544,944</u>

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

1 GENERAL

Al Rajhi REIT Fund (the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The investment objective of the Fund is to invest in completely developed real estates, capable of achieving periodic and rental income, and to distribute a specified percentage of not less than 90% of the fund's annual net profits in cash to the unitholders during the Fund's term, on a semi-annual basis at the end of February and August of every calendar year. The current Fund's portfolio is composed of eighteen (18) completely developed and income generating real estates. The said profits are distributed excluding capital profits resulting from the sale of real estate assets, which are reinvested in additional assets in the interests of the unit holders and if they are not reinvested within six months of the sale, they will be distributed to the unitholders. The Fund does not intend to acquire real estate outside the Kingdom of Saudi Arabia as part of the process of increasing the Fund's total assets value. 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's term is 99 years from the date of the Fund's listing on 3 Rajab 1439H (corresponding to 20 March 2018) and is renewable for a similar period at the discretion of the Fund Manager and after the approval of the Board of Directors of the Fund and after obtaining the approval of the Capital Market Authority ("CMA").

The Fund is managed by Al Rajhi Capital Company (the "Fund Manager"), a Saudi closed joint stock company, registered in Riyadh under Commercial Registration number 1010241681, and an authorised person licensed by CMA under license number 7068-37 dated 10 Jumada Alwwal 1428H (corresponding to 25 June 2007). The Fund Manager is a subsidiary of Al Rajhi Banking and Investment Corporation ("Al Rajhi Bank").

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 Real Estate Investment Funds Regulations issued by the CMA pursuant to resolution number 1-193-2006 dated 19 Jumada Al-Akhira 1427H (corresponding to 15 July 2006), subsequently amended by the issuance of a new Real Estate Investment Funds Regulations pursuant resolution number 2-22-2021 dated 12 Jumada Al-Akhira 1442H (corresponding to 24 February 2021), and in accordance with the instructions issued by CMA in respect of traded real estate investment funds pursuant to resolution number 6-130-2016 dated 23 Muharram 1438H (corresponding to 24 October 2016), ("Real Estate Investment Funds Instructions") detailing requirements for all the Real Estate Investment Funds within the Kingdom of Saudi Arabia.

3 BASIS OF PREPARATION

3.1 *Statement of compliance*

These condensed interim financial statements have been prepared on a going concern basis and in accordance with International Accounting Standard 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and should be read in conjunction with the Fund's last annual financial statements for the year ended 31 December 2020.

These condensed interim financial statements do not include all of the information normally required for a complete set of financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund's financial position and performance since 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

3 BASIS OF PREPARATION (continued)

3.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment at fair value through profit or loss.

3.3 Use of judgements, estimates and assumptions

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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

3.4 Functional and presentation currency

These condensed interim financial statements are presented in Saudi Riyals ("SR"), which is the Fund's functional currency. All financial information presented has been rounded to the nearest SR, unless otherwise indicated.

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in annual financial statements, but they do not have a material effect on the Fund's condensed interim financial statements.

5 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

Investment at fair value through profit or loss represents investment in a mutual fund managed by the Fund Manager (a related party) and comprises of the following:

	<u>30 June 2021 (Unaudited)</u>			<u>31 December 2020 (Audited)</u>		
	<i>Number of units</i>	<i>Cost</i>	<i>Market value</i>	<i>Number of units</i>	<i>Cost</i>	<i>Market value</i>
Al Rajhi Commodity Fund SAR	<u>339,510</u>	<u>54,770,626</u>	<u>55,079,785</u>	<u>395,516</u>	<u>63,505,081</u>	<u>63,875,997</u>

During the six-month period ended 30 June 2021, the Fund has recognised a net gain of SR 248,682 from this investment (30 June 2020: SR 794,347).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

6 INVESTMENT PROPERTIES

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

As at 30 June 2021

	<i>Land</i> SR	<i>Building</i> SR <i>(Unaudited)</i>	<i>Total</i> SR
Cost:			
At the beginning of the period	1,308,700,218	1,025,062,677	2,333,762,895
Additions during the period	-	-	-
At the end of the period	<u>1,308,700,218</u>	<u>1,025,062,677</u>	<u>2,333,762,895</u>
Accumulated depreciation:			
At the beginning of the period	-	(60,896,486)	(60,896,486)
Charge for the period	-	(14,531,518)	(14,531,518)
At the end of the period	<u>-</u>	<u>(75,428,004)</u>	<u>(75,428,004)</u>
Accumulated impairment:			
At the beginning of the period	-	(64,900,754)	(64,900,754)
Charge for the period	-	(190,544,068)	(190,544,068)
At the end of the period	<u>-</u>	<u>(255,444,822)</u>	<u>(255,444,822)</u>
Net book amount as at 30 June 2021	<u>1,308,700,218</u>	<u>694,189,851</u>	<u>2,002,890,069</u>

As at 31 December 2020

	<i>Land</i> SR	<i>Buildings</i> SR <i>(Audited)</i>	<i>Total</i> SR
Cost:			
At the beginning of the year	1,308,700,218	1,024,830,222	2,333,530,440
Additions during the year	-	232,455	232,455
At the end of the year	<u>1,308,700,218</u>	<u>1,025,062,677</u>	<u>2,333,762,895</u>
Accumulated depreciation:			
At the beginning of the year	-	(31,682,507)	(31,682,507)
Charge for the year	-	(29,213,979)	(29,213,979)
At the end of the year	<u>-</u>	<u>(60,896,486)</u>	<u>(60,896,486)</u>
Accumulated impairment:			
At the beginning of the year	-	-	-
Charge for the year	-	(64,900,754)	(64,900,754)
At the end of the year	<u>-</u>	<u>(64,900,754)</u>	<u>(64,900,754)</u>
Net book amount as at 31 December 2020	<u>1,308,700,218</u>	<u>899,265,437</u>	<u>2,207,965,655</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

6 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 double 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 double net lease.
- The Al Salam NMC Hospital investment is located in Riyadh and is classified as in the healthcare sector. This asset is a double 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.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

6 INVESTMENT PROPERTIES (continued)

6.1 - 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.

6.2 - All properties are held in the name of Privileged Warehouse Company 2 and Gulf Fund Company for Development and Real Estate Investment (collectively the "SPVs"). The SPVs are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

6.3 - The investment properties were tested for impairment and the management noted that some of the properties carrying amounts are more than their recoverable amounts. Accordingly, the management provided provision of impairment of SR 190,544,068 for the six-month period ended 30 June 2021 (30 June 2020: SR 58,493,639, for year ended 31 December 2020: SR 64,900,754) to adjust the value of its investment properties to its recoverable amount.

7 EFFECT ON NET ASSET VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with 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.

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 Jones Lang LaSalle Saudi Arabia Company for Real Estate Valuation and Century 21 Company and partner for Real Estate Valuation. 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).

7.1 The valuation of the investment properties are as follows:

	<i>Appraiser 1</i>	<i>Appraiser 2</i>	<i>Average</i>
	SR	SR	SR
30 June 2021 (Unaudited)			
Investment properties	<u>1,918,150,000</u>	<u>2,140,737,488</u>	<u>2,029,443,744</u>
	<i>Appraiser 1</i>	<i>Appraiser 2</i>	<i>Average</i>
31 December 2020 (Audited)	SR	SR	SR
Investment properties	<u>2,340,311,000</u>	<u>2,207,470,000</u>	<u>2,273,890,500</u>

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

7 EFFECT ON NET ASSET VALUE IF INVESTMENT 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 7.2.

7.2 The unrealized gain on investment properties based on fair value valuation is set out below:

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Fair value of investments in real estate properties (note 7.1)	2,029,443,744	2,273,890,500
Less: Carrying value of investments in real estate properties (note 6)	(2,002,890,069)	(2,207,965,655)
Net impact based on fair value evaluation	26,553,675	65,924,845
Units in issue (numbers)	161,856,857	161,856,857
Impact per unit share based on fair value evaluation	0.16	0.41

7.3 The net asset value using the fair values of the investment properties is set out below:

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value at cost, as presented in these condensed interim financial statements	1,307,003,347	1,511,581,047
Net impact based on real estate evaluations (note 7.2)	26,553,675	65,924,845
Net asset based on fair value	1,333,557,022	1,577,505,892

7.4 The net asset value per unit, using the fair values of the investment properties is set out below:

	30 June 2021 (Unaudited) SR	31 December 2020 (Audited) SR
Net asset value per unit, at cost as presented in these condensed interim financial statements	8.08	9.34
Impact on net asset value per unit on account of unrealised loss based on fair value evaluations (note 7.2)	0.16	0.41
Net asset value per unit at fair value	8.24	9.75

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Fund include Al Rajhi Capital Company, being the Fund Manager, Al Rajhi Bank, being the shareholder of Al Rajhi Capital Company, the Board of Directors of the Fund, KASB Capital, being the custodian of the Fund, 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.

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

<i>Related Party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>		<i>Balance receivable / (payable)</i>	
		<i>For the period ended 30 June 2021 (Unaudited)</i>	<i>For the period ended 30 June (Unaudited)</i>	<i>As at 30 June 2021 (Unaudited)</i>	<i>As at 31 December 2020 (Audited)</i>
Al Rajhi Capital Company	Management fee	8,439,453	9,112,749	(4,001,878)	(12,613)
	Financial support	-	-	-	(2,000,000)
Al Rajhi Bank	Finance cost *	10,696,433	14,022,274	(2,090,165)	(2,713,653)
	Borrowings - current**	145,406,600	-	-	(145,406,600)
	Borrowings - non current**	145,406,599	482	(791,254,598)	(645,847,999)
	Cash at bank	-	-	64,272	125,000
KASB Capital	Custodian fee*	92,500	92,500	(50,506)	(96,756)
Al Rajhi Commodity SAR Fund	Advance for investment at fair value through profit or loss	946,241	-	-	946,241
	Investment at fair value through profit or loss	8,796,212	40,025,046	55,079,785	63,875,997
Al Khaleej Training and Education Company	Dividends netted off against rental income receivable	7,393,258	5,544,944	-	-
	Rental income	19,625,192	19,733,619	-	-

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

**The Fund has inherited the loan of SR 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 SR 254,500,000 and Tranche 2 of SR 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. Tranche 2 of the loan is secured by pledge of Al Faris International School Building and Aziza Panda Marwah.

The Tranche 1 was successfully rolled over at its maturity on 20 December 2020 for further period of 5 years at a fixed rate. The new maturity date of the principal of Tranche 1 will be on 20 December 2025. The Tranche 2 was successfully rolled over at its maturity on 23 March 2021 for further period of 5 years at a variable profit rate the finance cost is being paid over five years on a semi-annual 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, 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, 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, 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, the term of the facility is 7 years.

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, the term of the facility is 7 years.

9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 cash and cash equivalents, investment at fair value through profit or loss, rental income receivable, accrued rental income and other receivables. Financial liabilities consist of accrued expenses and other liabilities, accrued management fee and borrowings. All financial assets and financial liabilities as at 30 June 2021 and 31 December 2020 were classified under amortised cost category except for investment at fair value through profit or loss which are classified as and measured at fair value.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the six-month period ended 30 June 2021

9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The value of investment at fair value through profit or loss are based on quoted market prices in active markets and are therefore classified within Level 1 of the fair value hierarchy as at 30 June 2021 and 31 December 2020.

10 SEGMENT REPORTING

The Fund has invested in eighteen real estate investment properties within the Kingdom of Saudi Arabia.

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker.

The Fund Manager is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. Asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

11 CHANGES IN FUND'S TERMS AND CONDITIONS

During the six-month period ended 30 June 2021, the Fund Manager has made certain changes to the terms and conditions of the Fund, stated as follows:

- Amendment in list of Fund Board Members as a result of resignation of Mr. Feras Alsaid, and appointment of Mr. Abdulaziz Alomair as an independent Board Member.

12 DIVIDENDS DISTRIBUTION

In accordance with the terms and conditions of the Fund, on 1 February 2021, the Fund's Board of Directors approved to distribute dividends to its unitholders for the period from 1 July 2020 to 31 December 2020 amounting to SR 45,319,920 (SR 0.28 per unit) which was paid on 25 February 2021 (30 June 2020: SR 33,989,940).

13 EVENTS AFTER THE REPORTING DATE

On 5 August 2021, the Fund's Board of Directors approved to distribute dividends to its unitholders for the six-month period ended 30 June 2021 for an amount of SR 45,319,920 (SR 0.28 per unit).

14 LAST VALUATION DAY

The last valuation day of the period was 30 June 2021.

15 RECLASSIFICATION OF COMPARATIVE FIGURES

During the period, the Fund has made certain reclassifications in the comparative financial statements to conform to current period presentation.

16 APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were approved by the Fund's Board of Directors on 9 Muharram 1443H (corresponding to 17 August 2021).