

**ALAHLI SEDCO RESIDENTIAL
DEVELOPMENT FUND**
(Managed by SNB Capital Company)
**CONDENSED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)**
For the six-month period ended 30 June 2022
together with the
Independent Auditor's Review Report to the Unitholders



KPMG Professional Services

Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد 92876
الرياض 11663
المملكة العربية السعودية
سجل تجاري رقم 1010425494

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Unitholders of AIAhli SEDCO Residential Development Fund

Introduction

We have reviewed the accompanying 30 June 2022 condensed interim financial statements of **AIAhli SEDCO Residential Development Fund** ("the Fund"), managed by **SNB Capital Company** ("the Fund Manager"), which comprises:

- the condensed statement of financial position as at 30 June 2022;
- the condensed statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2022;
- the condensed statement of changes in equity attributable to the Unitholders for the six-month period ended 30 June 2022;
- the condensed statement of cash flows for the six-month period ended 30 June 2022; and
- the notes to the condensed interim financial statements.

The Fund Manager is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"), that is endorsed in the Kingdom of Saudi Arabia and to comply with the applicable provisions of the Real Estate Investment Funds Regulations issued by the Capital Market Authority and the Fund's terms and conditions. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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 ("ISAs") that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2022 condensed interim financial statements of **AIAhli SEDCO Residential Development Fund** are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382



Date: 20 Muharram 1444 H
Corresponding to: 18 August 2022

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR (25,000,000). Previously known as 'KPMG Al Fozan & Partners Certified Public Accountants'. A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس مالها (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعين قة ويون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المنتقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة تجاريزة محدودة بضمان. جميع الحقوق محفوظة.

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	8	272	305
FVTPL investments	9	45,537	45,899
Investments in real estate projects	10	234,606	231,304
Other receivables		150	240
Total assets		280,565	277,748
LIABILITIES			
Advance received from customers		5,100	5,100
Other payables		196	169
Total liabilities		5,296	5,269
Equity attributable to the Unitholders		275,269	272,479
Units in issue in thousands (number)	12	296,463	296,463
Equity per unit (SAR)		0.9285	0.9191

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2022</u> (Unaudited)	<u>2021</u> (Unaudited)
Realised loss on sale of residential units	--	(1,229)
Realised gain on FVTPL investments – net	4	--
Unrealised gain on FVTPL investments – net	134	38
Other income	150	102
Total income / (loss)	<u>288</u>	<u>(1,089)</u>
EXPENSES		
Reversal of NRV write down on real estate projects	3,302	1,153
Facility management and maintenance expenses	(700)	(1,661)
Professional fees	(35)	(29)
Valuation expense	(16)	(29)
Value added tax expense	(8)	(5)
Fund Board remuneration	(4)	(4)
CMA Fees	(4)	--
Other expenses	(33)	(49)
Total operating expenses	<u>2,501</u>	<u>(624)</u>
Profit / (loss) for the period	<u>2,790</u>	<u>(1,713)</u>
Other comprehensive income for the period	--	--
Total comprehensive income / (loss) for the period	<u><u>2,790</u></u>	<u><u>(1,713)</u></u>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO UNITHOLDERS

For the six-month ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>
Equity attributable to the Unitholders at the beginning of the period (Audited)	272,479	270,888
Total comprehensive income / (loss) for the period	2,790	(1,713)
Decrease in equity from unit transactions during the period		
Value of units redeemed	--	(393)
Equity attributable to the Unitholders at the end of the period (Unaudited)	<u>275,269</u>	<u>268,782</u>

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

CONDENSED STATEMENT OF CASH FLOWS (Unaudited)

For the six-month period ended 30 June 2022

Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

	Note	For the six-month period ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Profit / (loss) for the period		2,790	(1,713)
<i>Adjustments for:</i>			
Unrealised gain on FVTPL investments – net		(134)	(38)
Realised gain on FVTPL investments – net		(4)	--
Reversal of NRV write down on real estate projects		(3,302)	(1,153)
		(650)	(2,904)
<i>Changes in operating assets and liabilities:</i>			
FVTPL investments		500	(10,000)
Proceeds from real estate units sold		--	19,957
Other receivables		90	56
Payable to the Fund Manager		--	(6)
Advance received from customers		--	(1,100)
Other payables		27	(241)
		(33)	5,762
Net cash (used in) / generated from operating activities			
Cash flows financing activities			
Value of units redeemed	10	--	(393)
		--	(393)
Net cash used in financing activities			
		(33)	5,369
(Decrease) / increase in cash and cash equivalent			
		305	6,042
Cash and cash equivalents at the beginning of the period			
		272	11,411
Cash and cash equivalent at the end of the period			

The accompanying notes 1 to 15 form an integral part of these condensed interim financial statements

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

1. THE FUND AND ITS ACTIVITIES

AlAhli SEDCO Residential Development Fund (the "Fund") is a closed-ended, Shariah compliant, real estate investment fund, established and managed by SNB Capital Company ("the Fund Manager"), a subsidiary of The Saudi National Bank (the "Bank"), for the benefit of the Fund's Unitholders. The Fund is supervised by the Fund Board. Al Bilad Capital Company acts as the custodian of the Fund.

The Fund's investment objective is to provide Unitholders with capital gains through the acquisition of land and development, construction and sale of residential units. Surplus cash balances may be invested in short-term investments including, but not limited to, Shariah compliant Murabaha contracts or Murabaha funds.

The terms and conditions of the Fund were approved by the Capital Market Authority ("CMA") on 6 Rabi-ul-Awal 1435 H (corresponding to 7 January 2014). The Fund commenced its activities on 28 April 2014 ("inception date").

The Fund's initial term was three years, commencing from the inception date, with an option to extend the term, subject to the approval of the Fund Board and notification to the CMA. On 21 March 2022, the Fund Board approved the extension of the Fund Term for an additional year ending on 28 April 2023. The Fund Manager has extended the term till 28 April 2023. The Fund Manager has the intent and ability to extend the term beyond 28 April 2023 and plans to do so subject to aforementioned regulatory requirements. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") published by the Capital Market Authority ("CMA") on 19 Jumad Al-Thany 1427 H (corresponding to 15 July 2006) thereafter amended on 12 Rajab 1442 H (corresponding to 24 February 2021) which became effective from 19 Ramadan 1442 H (corresponding to 1 May 2021).

The Fund Manager has initiated a claim against Saudi Economic, Development and Real Estate Development Company ("the developer") to address certain structural defects that were identified after receiving a number of complaints. The Fund manager is taking necessary steps so that required repairs are undertaken and a detailed exercise is currently underway to establish the work involved

2. BASIS OF ACCOUNTING

These condensed interim financial statements of the Fund have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34") endorsed in the Kingdom of Saudi Arabia and comply with the applicable provisions of the Regulations and the Fund's terms and conditions.

These condensed interim financial statements do not include all information and disclosures required for a complete set of annual financial statements and should be read in conjunction with the Fund's annual audited financial statements as at and for the year ended 31 December 2021.

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared on going concern concept and historical cost convention using accrual basis of accounting except for investments measured at FVTPL and investments in real estate projects which are recorded at fair value and lower of cost and net realizable value respectively.

The Fund does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the condensed statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

4. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the condensed interim financial statements are measured using the currency of the primary economic environment in which the Fund operates (“the functional currency”). These condensed interim financial statements are presented in Saudi Arabian Riyal (“SAR”) which is the Fund’s functional and presentation currency and have been rounded off to the nearest thousand unless otherwise stated.

5. CHANGES IN THE FUND'S TERMS AND CONDITIONS

The Fund Manager has updated the terms and conditions of the Fund during the period. The changes include change in custodian and extension of the term of the Fund as stated above.

6. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The basis and the methods used for critical accounting judgements, estimates and assumptions adopted are consistent with those used in the preparation of the annual audited financial statements of the Fund for the year ended 31 December 2021.

7. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements of the Fund for the year ended 31 December 2021.

a. Standards, interpretations and amendments effective during the period

Below amendments to accounting standards, interpretations and amendments became applicable for annual reporting periods commencing on or after 1 January 2022. The Fund manager has assessed that the amendments have no significant impact on the Fund’s condensed interim financial statements.

Amendments to IFRS 16 – Covid -19 Related Rent Concessions beyond 30 June 2021

Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 3 - Reference to the Conceptual Framework

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Standards, interpretations and amendments issued but not yet effective

Standards, interpretations and amendments issued but not yet effective up to the date of issuance of the Fund's condensed interim financial statements are listed below. The Fund intends to adopt these standards when they become effective.

Standards, interpretations and amendments	Description	Effective from periods beginning on or after the following date
Amendments to IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	1 January, 2023
Amendments to IAS 8	Definition of accounting estimates	1 January, 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between investor or Joint Venture	Available for optional adoption / effective date deferred indefinitely

The above standards, interpretations and amendments are not expected to have a significant impact on the Fund's financial statements.

8. CASH AND CASH EQUIVALENTS

This comprises of balances held with local bank having a sound credit rating.

9. INVESTMENTS – MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022		31 December 2021 (Audited)	
	Cost	Fair Value	Cost	Fair Value
SNB Capital Saudi Riyal Trade Fund – a related party	45,172	45,537	45,668	45,899

10. INVESTMENT IN REAL ESTATE PROJECTS

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
Developed Projects	234,606	231,304

- a) SNB Capital, the Fund Manager, has formed a Special Purpose Vehicle (“SPV”), SNB Capital Real Estate Investment Company (the “SPV”), registered under Commercial Registration No. 1010387593 dated 2 Dhul Qadah 1434 H (corresponding to 8 September 2013). The primary objective of the SPV is to retain and register real estate assets related to real estate funds in its name.

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
(Managed by SNB Capital Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022
Expressed in Saudi Arabian Riyals '000 (unless otherwise stated)

10. INVESTMENT IN REAL ESTATE PROJECTS (CONTINUED)

- b) The title deeds of the land are registered in the name of the SPV. Since the Fund is the beneficial owner of this land, the land has been recorded in these condensed interim financial statements.
- c) The fair value of the investment in real estate projects is based on the average evaluation of two independent evaluators. The valuation of the properties as at 30 June 2022 was carried out by ESNAD Real Estate Valuation and Olaat, which are accredited valuers by Saudi Authority for Accredited Valuers (TAQEEM). The valuers have used the comparable approach to evaluate the value of the real estate projects.
- d) During the period, no units have been sold. During the year ended 31 December 2021, 20 residential units costing SAR 20 million were sold, having a sales value of SAR 19.3 million, resulting in a loss of SAR 0.7 million. Further, 3 residential units costing SAR 2.5 million were sold in kind for SAR 2.3 million resulting in a loss of SAR 0.2 million.
- e) The movement in the carrying value of the investments in real estate projects is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period / year	231,304	245,449
Less: Costs of residential units sold	--	(22,496)
Reversal of NRV write down of real estate projects	3,302	8,351
Balance at the end of the period / year	234,606	231,304

- f) The carrying value of the investments in real estate projects is analysed as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Investments in real estate projects at cost	237,877	237,877
Write-down of real estate projects	(3,271)	(6,573)
Net realizable value of real estate projects	234,606	231,304

11. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Fund include Fund Manager, Fund Board, other funds managed by the Fund Manager, and The Saudi National Bank, being major shareholder of the Fund Manager.

Management fees and other expenses

As per the terms and conditions, the Fund is managed and administered by the Fund Manager. The Fund accrues, on every valuation day, a management fee and an administration fee at the rate of 1% and 0.04% per annum, respectively, based on the Fund's net asset value, adjusted to reflect the market value of the investment in real estate project, to be paid semi-annually in arrears. On 28 April 2019, the Fund Manager has waived the requirement for payment of management fees, therefore, no accrual has been made for the management fees in the current period.

ALAHLI SEDCO RESIDENTIAL DEVELOPMENT FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
For the six-month period ended 30 June 2022
Expressed in Saudi Arabian Riyals ‘000 (unless otherwise stated)

12. UNITS TRANSACTIONS

	For the six-month period ended 30 June	
	<u>2022</u>	<u>2021</u>
	-----Units in ‘000s-----	
Units at the beginning of the period (Audited)	296,463	299,507
Units sold	--	174
Units redeemed	--	(609)
Net decrease in units during the period	--	(435)
Units at the end of the period (Unaudited)	<u>296,463</u>	<u>299,072</u>

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.

The Fund determined fair value of investments in un-listed open-ended investment funds measured at FVTPL using unadjusted net asset value and classified them as level 2 as per the fair value hierarchy. During the period, there has been no transfer in fair value hierarchy. For other financial assets and liabilities such as cash and cash equivalents, other receivables, advance from customers and other payables, the carrying values are assessed to be a reasonable approximation of fair value. The Fund has classified cash and cash equivalents as level 1 while remaining assets and liabilities are classified as level 3 as per the fair value hierarchy.

14. LAST VALUATION DAY

The last valuation day for the purpose of preparation of these condensed interim financial statements was 30 June 2022 (2021: 30 December 2021).

15. APPROVAL OF CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorised for issue by the Fund Board on 18 August 2022 corresponding to 20 Muharram 1444 H.