

DERAYAH REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(MANAGED BY DERAYAH FINANCIAL COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
Together with the
Independent Auditor's Review report to the Unitholders

DERAYAH REIT FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
For the six-month period ended 30 June 2022

	PAGES
INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS	1
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	2
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	3
INTERIM CONDENSED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)	4
INTERIM CONDENSED STATEMENT OF CASH FLOWS	5
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	6-15

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

(1 /1)

TO THE UNITHOLDERS OF
DERAYAH REIT FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Derayah REIT Fund (the "Fund") managed by Derayah Financial Company (the "Fund Manager") as at 30 June 2022 and the related interim statements of comprehensive income, changes in net assets attributable to the unitholders and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Riyadh: 27 Muharram 1444 H
Corresponding to: 25 August 2022

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL COMPANY)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts in Saudi Riyals)

	Note	30 June 2022	31 December
		(Unaudited)	2021
			(Audited)
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	5	20,901,458	24,072,849
Rent receivable, net	6	48,623,488	45,500,537
Investments at fair value through profit or loss	7	15,027,735	15,715,268
Prepaid expenses and other debit balances	8	10,703,671	8,443,417
TOTAL CURRENT ASSETS		95,256,352	93,732,071
<u>NON-CURRENT ASSETS</u>			
Investment properties, net	9	1,561,309,017	1,567,926,588
Benefit contracts, net	10	32,092,887	33,065,108
TOTAL NON-CURRENT ASSETS		1,593,401,904	1,600,991,696
TOTAL ASSETS		1,688,658,256	1,694,723,767
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Deferred rental income		18,427,058	16,657,842
Accrued management fees	12	3,807,436	3,911,055
Accrued finance expenses		7,642,505	5,249,168
Accrued expenses and other liabilities		6,170,568	6,731,286
Zakat provision	13	5,916,883	4,084,149
TOTAL CURRENT LIABILITIES		41,964,450	36,633,500
<u>NON-CURRENT LIABILITIES</u>			
Loans -Long Term	15	747,982,834	747,982,834
TOTAL LIABILITIES		789,947,284	784,616,334
Net assets (Equity) attributable to the Unitholders		898,710,972	910,107,433
UNITS IN ISSUE (Number)		107,507,035	107,507,035
PER UNIT VALUE		8.36	8.47
PER UNIT FAIR VALUE	11	8.36	8.47

The accompanying notes (1) to (22) form an integral part of these interim condensed financial statements.

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2022

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>30 June 2021</u> <u>(Unaudited)</u>
Income			
Rental income, net		62,288,441	65,125,903
Unrealized gain on Investments carried at IS		158,417	35,439
Realized gain on Investments carried at IS		-	5,275
Total operating income		62,446,858	65,166,617
Expenses			
Depreciation expenses of real estate investments	9	(10,504,605)	(10,773,954)
Reversal /(Provision) impairment of investment property	9	2,697,923	(5,620,863)
Fund management fees	12	(3,807,436)	(3,951,328)
Finance expenses	15	(13,716,273)	(10,902,864)
Professional and advisory expenses		(381,417)	(190,530)
Properties management fees		(1,975,681)	(2,723,152)
Amortization Benefit contracts	10	(972,221)	(1,025,864)
Expected credit loss expense		(2,863,923)	-
Other expenses		(1,784,419)	(1,367,012)
Total expenses		(33,308,052)	(36,555,567)
Net income before zakat		29,138,806	28,611,050
Zakat charge for the period	13	(1,832,734)	(1,318,388)
Net income for the period		27,306,072	27,292,662
Other comprehensive income		-	-
Total comprehensive income for the period		27,306,072	27,292,662

The accompanying notes (1) to (22) form an integral part of these interim condensed financial statements.

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INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY)

For the six month-period ended 30 June 2022

(Amounts in Saudi Riyals)

	<u>30 June 2022</u>	<u>30 June 2021</u>
	(Unaudited)	(Unaudited)
Net asset (Equity) value attributable to the Unitholder at beginning of the period	910,107,433	944,532,914
Dividends (note 16)	(38,702,533)	(41,282,701)
Total comprehensive income for the period	<u>27,306,072</u>	<u>27,292,662</u>
Net asset (Equity) value attributable to the unitholder at end of the period	<u>898,710,972</u>	<u><u>930,542,875</u></u>

The accompanying notes (1) to (22) form an integral part of these interim condensed financial statements.

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
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INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2022

(Amounts in Saudi Riyals)

	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Net income for the period before zakat	29,138,806	28,611,050
<i>Adjustment to reconcile net income to net cash from operating activities:</i>		
Unrealized gain on Investments carried at IS	(158,417)	(35,439)
Realized gain on Investments carried at IS	-	(5,275)
Investment properties depreciation	10,504,605	10,773,954
Investment properties impairment	(2,697,923)	5,620,863
Amortization benefit contracts	972,221	1,025,864
	37,759,292	45,991,017
Changes in operating assets:		
Rent Receivable	(3,122,951)	(11,380,437)
Prepaid expenses and other debit balances	(2,260,254)	6,176
Changes in operating liabilities:		
Unearned rental income	1,769,216	(1,196,132)
Accrued management fees	(103,619)	(177,844)
Accrued finance expenses	2,393,337	(52,344)
Accrued expenses and other liabilities	(560,718)	512,520
Net cash generated from operating activities	35,874,303	33,702,956
INVESTING ACTIVITIES		
Purchase of investment properties	(1,189,111)	-
Purchase investments carried at IS	-	(28,104,358)
Proceeds from sale investments carried at IS	845,950	1,100,000
Net cash used in investing activities	(343,161)	(27,004,358)
FINANCING ACTIVITIES		
Dividends	(38,702,533)	(41,282,701)
Net cash used in financing activities	(38,702,533)	(41,282,701)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,171,391)	(34,584,103)
Cash and cash equivalents at the beginning of the period	24,072,849	42,727,649
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20,901,458	8,143,546

The accompanying notes (1) to (22) form an integral part of these interim condensed financial statements.

**DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

1. THE FUND AND ITS ACTIVITIES

Derayah REIT Fund (the "Fund") is a closed-ended Shari'a compliant traded real estate investment fund. The fund began operations on March 26, 2018.

Derayah Financial Company ("Fund Manager"), a Saudi closed joint stock company, under the Commercial Registration No. 1010266977 dated 05/04/1430 H corresponding to 04/29/2009 G, and licensed as a "Financial Market Institution" under the Capital Market Authority License No. 27-08109 to practice an activity Dealing as principal and agent, management and custody in securities business.

The Fund is listed on the Saudi Stock Exchange ("Tadawul") and its units are traded in accordance with the relevant laws and regulations. The capital of the fund is 1,075,070,350 Saudi riyals, and the term of the fund is 99 years starting from the date of listing units in Tadawul, renewable for a similar period according to the fund manager's discretion and after obtaining the approval of the Capital Market Authority.

The fund aims to invest in real estate assets capable of achieving periodic rental income within the Kingdom of Saudi Arabia and in line with the fund's investment strategy, stipulated in fund's terms and conditions and to distribute quarterly profits of at least 90% of the fund's net profits in accordance with the real estate investment fund's regulations.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed interim financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2021. The results for the six-month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The interim condensed financial statements have been prepared on the historical cost basis, and have been revised. Using the accrual basis of accounting excluding investments carried at fair value through profit or loss that are measured at fair value.

2-2 Regulations

The fund operates in accordance with the Real Estate Investment Funds Regulations issued by the Capital Market Authority, which stipulates the requirements that REITs and REITs operating in the Kingdom must follow.

2.3 Functional and presentation currency

These interim condensed financial statements have been prepared in Saudi Riyals (SAR) which is the Fund's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to nearest Riyal, unless otherwise mentioned

Transactions and balances

Transactions in foreign currencies are translated into Saudi Riyals using the exchange rates prevailing on the date of the transactions. Assets and liabilities denominated in foreign currencies are translated into Saudi riyals using exchange rates.

As on the date of the balance sheet, profits and losses resulting from the exchange rate conversion are included in the statement of comprehensive income.

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(CLOSED-ENDED FUND)
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022**

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

2.4 New standards, interpretations and amendments

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2021. There are new standards, amendments and interpretations that will be applied for the first time in 2022, but that do not have an impact on the interim condensed financial statements of the fund.

There are many other amendments and interpretations issued and not yet effective on the date of issuance of the Fund's interim condensed financial statements. The Fund Board of Directors believes that these amendments and interpretations will not have a material impact on the interim condensed financial statements of the Fund. The Fund intends to apply these amendments and interpretations, if any.

3. Critical accounting judgments, estimates and assumption

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2021.

4. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

On a semi-annual basis, the fund manager charges the fund a management fee of 0.85% annually of the fund's net asset value. The fund manager also recovers from the fund any other expenses incurred on behalf of the fund such as auditing fees, legal fees, board compensation and other similar fees. Moreover, the fund manager charges a one-time transaction fee of 1% as a maximum on the purchase or sale price of real estate assets.

5. CASH AND CASH EQUIVALENTS

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Cash at bank	20,901,458	24,072,849
Total	20,901,458	24,072,849

6. RENT RECEIVABLES, NET

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Rent receivables	73,870,827	67,883,953
Expected credit loss expense	(25,247,339)	(22,383,416)
	48,623,488	45,500,537

The movement in expected credit loss provision is summarized as follows:

	<u>30 June 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Balance at the beginning of the period/year	(22,383,416)	-
Charge of the period/ year	(2,863,923)	(22,383,416)
Balance at the end of the period/year	(25,247,339)	(22,383,416)

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

7. INVESTMENTS CARRIED AT FVTPL

<u>30 June 2022 (Unaudited)</u>	<u>Fund manager</u>	<u>Number of units</u>	<u>Cost</u>	<u>Market Value</u>
Al Rajhi Commodity Fund	Al Rajhi Capital	91,516.46	14,700,000	15,027,735

<u>31 December 2021 (Audited)</u>	<u>Fund manager</u>	<u>Number of units</u>	<u>Cost</u>	<u>Market Value</u>
Al Rajhi Commodity Fund	Al Rajhi Capital	96,404.64	15,545,950	15,715,268

8. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	<u>30 June 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Prepaid Expenses	949,284	641,742
Accrued VAT	8,856,305	7,458,113
Rents Prepaid	898,082	343,562
Total	10,703,671	8,443,417

9. INVESTMENT PROPERTIES, NET

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>			
Balance beginning of period	843,638,767	869,059,259	1,712,698,026
Additions for the period	-	1,189,111	1,189,111
Balance as of 30 June 2022 (Unaudited)	843,638,767	870,248,370	1,713,887,137
<u>Accumulated Depreciation</u>			
Balance beginning of period	-	76,317,535	76,317,535
Charge for the period	-	10,504,605	10,504,605
Balance as of 30 June 2022 (Unaudited)	-	86,822,140	86,822,140
<u>Impairment</u>			
Balance beginning of period	-	68,453,903	68,453,903
Charge for the period	-	(2,697,923)	(2,697,923)
Balance as of 30 June 2022 (Unaudited)	-	65,755,980	65,755,980
Book Value:			
as of 30 June 2022 (Unaudited)	843,638,767	717,670,250	1,561,309,017
Balance as of 31 December 2021	843,638,767	724,287,821	1,567,926,588

DERAYAH RIET FUND
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(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

9. INVESTMENT PROPERTIES, NET (CONTINUED)

Investment properties consist of 25 real estate, which are as follows:

- Smart Tower: Office and retail property in the Olaya district in Riyadh.
- Jubail Views Complex: A closed residential complex in Rawdat Al-Khalidiya neighborhood in Jubail.
- Mena warehouses: Three warehouses and their accessories (administrative and service offices) in Al-Mina district in Dammam.
- City Life Plaza: Commercial property in Al Munsiyah district in Riyadh.
- Motoon Towers: A hotel real estate located in the Olaya district in Riyadh.
- Al Fanar Commercial Complex: Commercial real estate in Al-Rakah district in Khobar.
- The Grand Compound (A): An integrated residential property located in Al-Anwar district in Dammam.
- Al-Wadi district warehouses: It represents a warehouse and a residential building, and it is located in Al-Wadi district in Jeddah.
- Al-Sittin Commercial Center: Commercial-office property in Al-Dhubat District in Riyadh.
- The Grand Complex (B): An educational property, located in Al-Anwar district in Dammam.
- Staff buildings: Four residential buildings located in three adjacent districts in North Jubail.
- Residential buildings for workers (Dammam): Two residential buildings for workers are located in the port area of Dammam.
- Residential building for workers (Al Khobar): A residential building for workers in Al Thuqbah district in Khobar.
- Al Khaleejia Business Building: A commercial and office building located in Al Rawabi district in Khobar.
- Education & Skills School: An educational building located in Al-Diriyah Governorate.
- Raseel Medical Center: A building for a medical center, located in Khenchelila district in Riyadh.
- Jeddah Office Tower: An administrative and office building located in Al-Zahra district in Jeddah.
- Al-Sulay Warehouses: A group of walled warehouses located in the Al-Sulay district in Riyadh.
- Al-Khalidiya Warehouses: Two warehouses located in the Al-Khalidiya North district in Dammam.
- Residential buildings in Dammam: Three residential buildings in Al Mina district in Dammam.
- Logistics Complex (2) in Jeddah: A warehouse located in the Sarawat district in Jeddah.
- Al-Aziziyah Warehouse (1): A warehouse located in Al-Aziziyah district in Riyadh.
- Al-Khalidiya Warehouse: A warehouse located in Al-Khalidiya district in Dammam.
- Al-Aziziyah Warehouse (2): A warehouse located in Al-Aziziyah district in Riyadh.
- AlSharq Logistics Complex: Warehouses located in Al- Sulay in Riyadh.

9.1 The Fund has the policy of charging depreciation on building over 40 years. The depreciation is charged on depreciable amount i.e. cost less residual value.

9.2 All properties are registered in the name of the company "Hefz Al Derayah Al Aqariya" ("the SPV"), except for the real estate secured by obtaining loans (see note 14). Companies retain these properties for ownership of the use of the Fund and do not own any controlling interests and do not pose any risk to the real estate.

9.3 The fund manager periodically reviews his investment properties to determine if there is any indication of decline in the value of the assets. Impairment is considered to be by the amount in which the carrying amount of the investment properties exceeds its recoverable amount, which is the higher of the assets' fair value less costs to sell and its value in use. As on December 31, 2021, according to periodic evaluation reports submitted by the valuation experts independent of the Fund as on June 30, 2022, part of the decrease in value recorded in previous years amounting to 2.7 million Saudi riyals was reversed. The average fair value of the investment properties has been rated as Level 3 fair value based on the inputs to the valuation techniques used.

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

10. BENEFIT CONTRACTS, NET

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Cost		
Balance at the beginning of the period / year	51,779,858	51,779,858
Addition during the period / year	-	-
Balance at end of the period / year	51,779,858	51,779,858
Accumulated Amortization		
Balance at the beginning of the period / year	(18,714,750)	(16,136,838)
Charge for the period/ year	(972,221)	(2,577,912)
Balance at end of the period / year	(19,686,971)	(18,714,750)
Book Value:		
Balance at end of the period / year	32,092,887	33,065,108

The benefit contracts consist of one property, which is as follows:

- The Valley Commercial Complex: A shopping center in Al-Ahsa.

11. EFFECT OF NET ASSETS (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

According to the Real Estate Investment 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 in these interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The valuation of the investment properties (the "properties") is determined by **Value Experts Company, Century 21/ Esnad Company**. These three valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM").

the valuation of the investment properties and Benefit contracts are as follows as at 30 JUNE 2022:

30 June 2022 (Unaudited)	First Appraiser	Second Appraiser	Average
Investment properties	1,581,034,500	1,538,912,007	1,559,973,254
Benefit contracts	36,761,300	30,500,000	33,630,650
Total	1,617,795,800	1,569,412,007	1,593,603,904
31 December 2021 (Audited)	First Appraiser	Second Appraiser	Average
Investment properties	1,584,617,900	1,547,045,921	1,565,831,911
Benefit contracts	36,403,100	35,200,000	35,801,550
Total	1,621,021,000	1,582,245,921	1,601,633,461

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

11. EFFECT OF NET ASSETS (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties and benefit contracts.

The investment properties were valued taking into consideration a number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method.

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
Estimated fair value of investment properties and benefit contracts based on the average of the two valuers used	1,593,603,904	1,601,633,461
Less: the carrying value of		
(i) Investment properties	(1,561,309,017)	(1,567,926,588)
(ii) Benefit Contracts	(32,092,888)	(33,065,108)
Estimated fair value in excess book value	201,999	641,765
Units in issue (numbers)	107,507,035	107,507,035
Additional value per unit based on fair value	0.002	0.0059
<i>Net asset to unitholders:</i>		
	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	898,710,972	910,107,433
Estimated fair value in surplus of book value	201,999	641,765
Net asset value attributable to unit holders based on fair value of investment properties	898,912,971	910,749,198
<i>Net asset attributable to each unit:</i>		
	30 June 2022	December 2021
	(Unaudited)	(Audited)
Book value per unit as per the financial statements before fair value adjustment	8.36	8.47
Increase in value per unit based on fair value	0.002	0.0059
Net asset value attributable to unit holders based on fair value of investment properties	8.36	8.47

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

12. TRANSACTIONS WITH RELATED PARTIES

Related parties to the fund include Derayah Financial Company (fund manager), and Alinma Investment Company (custodian). The fund deals in the normal course of business with related parties. Related party transactions are governed by regulations issued by the Capital Market Authority. All transactions with related parties are approved by the fund's board of directors.

The significant related party transactions entered into by the Fund during the period are as follows:

Related Party	Nature of transaction	Amount of transaction during the period		Closing balance Debit / (Credit)	
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Derayah Financial Company	Management fees	3,807,436	3,951,328	(3,807,436)	(3,911,055)
Alinma Investment Co.	Custodial fees	60,000	60,000	(60,000)	(120,000)

13. ZAKAT

The movement in the provision for zakat is as follows:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Balance at the beginning of the period/year	4,084,149	2,287,195
Charge for the period/ year	1,832,734	1,796,954
Paid during the period/ year	-	-
Balance at the end of the period/year	5,916,883	4,084,149

14. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2022 (unaudited)	Amortized cost	FVPL
Assets as per statement of financial position	SAR	SAR
Cash and cash equivalents	20,901,458	-
Rent receivable	48,623,488	-
Investments at fair value through profit or loss	-	15,027,735
Prepaid expenses and other debit balances	10,703,671	-
Total	80,228,617	15,027,735

31 December 2021 (audited)	Amortized cost	FVPL
Assets as per statement of financial position	SAR	SAR
Cash and cash equivalents	24,072,849	-
Rent receivable	45,500,537	-
Investments at fair value through profit or loss	-	15,715,268
Prepaid expenses and other debit balances	8,443,417	-
Total	78,016,803	15,715,268

DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
(CLOSED-ENDED FUND)
(MANAGED BY DERAYAH FINANCIAL CAPITAL)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022

15. LOANS

During the year ending 31 December 2020, the fund obtained a loan of 168 million Saudi Riyals from Riyadh Bank for a period of seven years. The loan bears a variable commission and the commission is paid over the term of the loan on a semi-annual basis. The loans are secured by a mortgage of real estate (Jubail Views Residential Compound, Dammam Warehouses Complex, City Life Plaza, Motoon Tower, Al-Fanar Commercial Complex, Grand A Residential Building, Al-Wadi District Warehouses, AlSitteen Commercial Center, Grand B Commercial Building, Jubail Employees Residential Buildings, Dammam Labor Housing, Khobar Labor Housing, AlKhaleejiah Business Center, Raseel Medical Center, Education & Skills School, Jeddah Office Tower, Sulay Warehouses Complex, Khalidiya District Warehouses, Dammam Labor Housing (2), Jeddah Khumarh Warehouses, Riyadh Al-Azizia Warehouses (1), Riyadh Al-Azizia Warehouses (2), AlSharq Logistics Complex). The special commission due for the period ending on 30 June 2022 has been included and appears in the liabilities.

The fund also obtained a loan of 105.5 million Saudi riyals from Al-Rajhi Bank for a period of seven years. The loan carries a variable commission and the commission is paid over the term of the loan on a semi-annual basis. The loan is secured by a mortgage for the Smart Tower property. The special commission due for the year ended June 30, 2022 has been included and appears in the liabilities.

On June 28, 2022, the loans of Riyadh Bank were transferred to Al-Rajhi Bank, according to which the mortgaged investment properties will be re-mortgaged in favor of Al-Rajhi Bank.

Loan Type	Loan Nature	Commission expense			
		Balance as of		During the period ending in	
		30 June 2022	31 December 2021	30 June 2022	30 June 2021
Tawarq	Long Term	747,982,834	747,982,834	13,716,273	10,902,864
		747,982,834	747,982,834	13,716,273	10,902,864

**DERAYAH RIET FUND
A REAL ESTATE INVESTMENTS TRADED FUND
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022**

16. DIVIDENDS

- On January 3, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on December 31, 2020, in the amount of 0.204 Saudi riyals per unit, with a total amount of 21,930,435 Saudi riyals for its unit holders.
- On April 1, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on March 31, 2021 in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.
- On July 1, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on June 30, 2021, in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.
- On October 3, 2021, the fund manager approved the distribution of dividends to shareholders for the period ending on September 30, 2021, in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.
- On January 2, 2022, the fund manager approved the distribution of dividends to shareholders for the period ending on December 31, 2021, in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.
- On April 3, 2022, the fund manager approved the distribution of dividends to shareholders for the period ending on March 31, 2022, in the amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.

In accordance with the fund's terms and conditions (note 1), the fund aims to distribute quarterly profits of no less than 90% of the fund's net profits. The fund manager distributes profits on the basis of cash generated from operations, as the cash generated from operations is calculated by adding the cost of depreciation and the decrease in the value of real estate investments to the net profits as mentioned in the comprehensive income statement during the period until June 30, 2022.

17. SUBSEQUENT EVENTS

- On July 3, 2022, the fund manager approved the distribution of dividends to shareholders for the period ending on June 30, 2022, at an amount of 0.180 Saudi riyals per unit, with a total amount of 19,351,266 Saudi riyals for its unit holders.

18. FINANCIAL RISK MANAGEMENT

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.

**DERAYAH RIET FUND
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2022**

18. FINANCIAL RISK MANAGEMENT (CONTINUE)

As on June 30, 2022, the Fund's financial instruments include cash and cash equivalents, accrued management fees debited, accrued financing expenses, amounts due to related parties, accrued expenses and other liabilities and long-term loans. With the exception of investments carried at fair value through profit or loss, all financial instruments are measured at amortized cost and their carrying value approximates their fair value. Investments carried at fair value through profit or loss are held at the second level of the fair value hierarchy. To determine the fair value of such investments, management needs to use the net asset value of the funds based on observable market data. There were no Level 1, 2 and 3 transfers during the year ended December 31, 2021.

19. SEGMENTAL REPORT

The Fund invested in 25 investment properties and one benefit contract in the Kingdom of Saudi Arabia. Operating segments are disclosed in a manner consistent with the internal reports used by the operating decision maker.

The fund manager is responsible for the entire fund portfolio and considers the business to have one operating segment. Asset allocation decisions are based on a single integrated investment strategy, and the fund's performance is evaluated as a single sector.

20. LAST VALUATION DAY

The last valuation day of the period was at 30 June 2022 (30 June 2021).

21. RECLASSIFICATION OF COMPARATIVE FIGURES

During this period, the Fund made some reclassifications in the comparative financial statements to conform to the presentation of the current period.

22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 27 Muharram 1444 H (corresponding to 25 August 2022).