

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
Interim Condensed Consolidated Financial Statements (Un-Audited)
For the six months period ended 30 June 2019
Together with the
Review report to the Unitholders

**REPORT ON REVIEW INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE UNITHOLDERS OF
RIYAD REIT FUND
RIYADH, KINGDOM OF SAUDI ARABIA**

Introduction:

We have reviewed the accompanying consolidated interim statement of financial position of Riyad REIT Fund ("the Fund") managed by Riyad Capital (the "Fund Manager") as at 30 June 2019 and the related consolidated interim statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Fund's management is responsible for the preparation and fair presentation of these interim condensed consolidated 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 interim condensed consolidated 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 these interim condensed consolidated 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 - (IAS 34) as endorsed in the Kingdom of Saudi Arabia.

For and on behalf of
Al Bassam & Co.
Allied Accountant

Ibrahim A. Al-Bassam
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20 August 2019
19 Dhual Hijjah 1440



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RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 June 2019
(Amounts in SAR)

| | <u>Note</u> | <u>As at 30 June 2019 (Unaudited)</u> | <u>As at 31 December 2018 (Audited)</u> |
|---|-------------|---|---|
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Cash and cash equivalents | 7 | 26,012,501 | 31,497,648 |
| Account receivables, net | | 51,542,201 | 34,144,087 |
| Inventory | | 1,246,658 | 1,236,128 |
| Prepayment and other receivables | 7 | 30,769,072 | 17,332,170 |
| Due from related parties | 7 | 2,262,808 | 12,316,277 |
| TOTAL CURRENT ASSETS | | 111,833,240 | 96,526,310 |
| <u>NON-CURRENT ASSETS</u> | | | |
| Properties under development | 5 | 144,503,504 | 133,927,572 |
| Joint Investment in real estate | | 102,178,622 | - |
| Investment properties | 6 | 1,633,215,103 | 1,568,236,450 |
| TOTAL NON-CURRENT ASSETS | | 1,879,897,229 | 1,702,164,022 |
| TOTAL ASSETS | | 1,991,730,469 | 1,798,690,332 |
| <u>LIABILITIES</u> | | | |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts payable | 7 | 8,646,464 | 5,970,841 |
| Unearned rental income | | 9,795,097 | 8,915,303 |
| Accrued expenses | | 32,241,826 | 36,625,339 |
| Due to related parties | | 2,516,560 | 2,989,755 |
| TOTAL CURRENT LIABILITIES | | 53,199,947 | 54,501,238 |
| <u>NON-CURRENT LIABILITIES</u> | | | |
| Tawarruq facilities | 8 | 295,441,948 | 88,339,892 |
| Employees' end of service benefits | | 1,844,278 | 1,901,047 |
| Replacement reserve | | 13,712,473 | 11,985,360 |
| TOTAL LIABILITIES | | 364,198,646 | 156,727,537 |
| Net assets attributable to the Unitholders | | 1,627,531,823 | 1,641,962,795 |
| Units in issue (<i>numbers</i>) | | 171,697,101 | 171,697,101 |
| Book value attributable to each unit | | 9.48 | 9.56 |
| Fair value attributable to each unit | 9 | 9.84 | 9.94 |

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

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyadh Capital)
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
As at 30 June 2019
(Amounts in SAR)

| | Note | For the period ended 30 June 2019 (Unaudited) | For the period ended 30 June 2018 (Unaudited) |
|--|------|--|--|
| Income | | | |
| Income from rental and operation | | 89,079,712 | 33,967,310 |
| Total Income | | 89,079,712 | 33,967,310 |
| Cost of income | | (18,572,441) | - |
| Gross Income | | 70,507,271 | 33,967,310 |
| OPERATING EXPENSES | | | |
| Property management expenses | | (2,360,511) | (615,466) |
| Fund management fee | 7 | (9,165,760) | (3,227,395) |
| Custodial expenses | | (50,000) | (50,000) |
| General and administrative expenses | | (19,277,089) | (732,788) |
| Total operating expenses | | (30,853,360) | (4,625,649) |
| Other income | | 1,560,997 | - |
| Cash from operations | | 41,214,908 | 29,341,661 |
| Depreciation of investment properties | 6 | (7,570,692) | (5,301,223) |
| Net income for the period | | 33,644,216 | 24,040,438 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 33,644,216 | 24,040,438 |

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

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO THE UNITHOLDERS
For the Six-month period ended 30 June 2019
(Amounts in SAR)

| | For the period ended 30 June 2019 (Unaudited) | For the period ended 30 June 2018 (Unaudited) |
|--|--|--|
| Net assets value attributable to the Unitholders at the beginning of the period | 1,641,962,795 | 488,970,565 |
| Changes from unit transaction during the period: | | |
| Subscription of units – Cash | - | 264,127,586 |
| Subscription of units – In kind contribution | - | 868,872,424 |
| Total comprehensive income for the period | 33,644,216 | 24,040,438 |
| Dividends paid during the period | 10 (48,075,188) | (15,000,000) |
| Net assets value attributable to the Unitholders at the end of the period | 1,627,531,823 | 1,631,011,013 |

Transactions in units for the period are summarized as follows:

| | For the period ended 30 June 2019 (Unaudited) | For the period ended 30 June 2018 (Unaudited) |
|---|--|--|
| (numbers) | | |
| Number of units at the beginning of the period | 171,697,101 | 50,000,000 |
| Subscription of units – Cash | - | 28,370,310 |
| Subscription of units – In kind contribution | - | 93,326,791 |
| Number of units at the end of the period | 171,697,101 | 171,697,101 |

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

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
For Six-month the period ended 30 June 2019
(Amounts in SAR)

| | For the period ended 30 June 2019 (Un-Audited) | For the period ended 30 June 2018 (Un-Audited) |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period | 33,644,216 | 24,040,438 |
| <i>Adjustments to reconcile net income to net cash used in operating activities:</i> | | |
| Investment properties depreciation | 7,570,692 | 5,301,223 |
| | 41,214,908 | 29,341,661 |
| Changes in operating assets and liabilities | | |
| Accounts receivable, net | (17,398,114) | (8,589,444) |
| Inventory | (10,530) | - |
| Prepayment and other receivables | (13,436,902) | 958,938 |
| Purchase of investment properties | (72,549,345) | (122,686,459) |
| Properties under development | (10,575,932) | (28,853,314) |
| Accounts payable | 2,675,622 | 19,709,626 |
| Accrued expenses | (2,656,399) | (4,612,327) |
| Unearned rental income | 879,794 | 1,264,322 |
| Due from Related Parties | 9,580,274 | - |
| Employees' end of service benefits | (56,769) | - |
| Net cash used in operating activities | (62,333,393) | (113,466,997) |
| Cash flows from investing activities | | |
| Investment in real estate project | (102,178,622) | - |
| Net cash from investing activities | (102,178,622) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Tawarruq facilities | 207,102,056 | (150,923,371) |
| Dividends paid | (48,075,188) | (15,000,000) |
| Subscription of units | - | 264,127,586 |
| Net cash from financing activities | 159,026,868 | 98,204,215 |
| Net decrease in cash and cash equivalents | (5,485,147) | (15,262,782) |
| Cash and cash equivalents at the beginning of the period | 31,497,648 | 21,940,840 |
| Cash and cash equivalents at the end of the period | 26,012,501 | 6,678,058 |
| Supplemental non-cash transactions | | |
| Purchase of investment through subscription of units in REIT | - | 93,326,791 |

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

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyadh Capital)
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
For Six-month the period ended 30 June 2019
(Amount in SAR)

1. THE FUND AND ITS ACTIVITIES

Riyad REIT (the “REIT” or the “Fund”) is a closed-ended a Shari’ah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the CMA. The REIT is listed on the Tadawul and units of the REIT shall be on traded on the Tadawul in accordance with its rules and regulations. The Capital of the REIT is SAR 1,633,000,010 (31 December 2018 : 1,633,000,010). The REIT has a term of 99 years, which is extendable in the discretion of the Fund Manager with the prior approval of the CMA. These consolidated financial statements include the accounts of the REIT and its subsidiaries (together the “REIT” or the “Fund”)

The REIT is managed by Riyadh Capital (the “Fund Manager”), a Saudi Arabian One Person Closed Joint Stock Company with Saudi Arabian commercial registration no. 1010239234, and an Authorized Person licensed by the CMA under license no. 07070-37. Also, a 100% owned subsidiary of Riyadh Bank.

The primary investment objective of the REIT is to provide its investors with current income by investing in construction developed income-producing real estate assets in Saudi Arabia. While the REIT will primarily invest in such assets, the REIT may opportunistically invest in real estate development projects; provided that (i) at least 75% of the REIT’s total assets are invested in developed real estate assets which generate periodic income and (ii) the REIT may not invest in vacant land.

The REIT may, a secondary basis, invest in development opportunities with profitable growth potentials that cater for specific real-estate needs, previously unavailable in certain areas. An added value is expected, in the medium term, to be created to Unitholders in such development projects. In the long term, the REIT’s investment portfolio will continue to focus on attractive investment opportunities in different real-estate sectors, including, but not limited to, offices, trade exhibitions, houses, hospitality facilities, warehouses, etc. in order to build a real-estate base with diverse and stable income for Unitholders as well as achieve reasonable increase in the portfolio value.

The REIT shall be governed by the laws of Saudi Arabia and the regulations implemented by the CMA. The investments of the REIT shall comply with the Regulation of Ownership and Investment in Real Estate by Non-Saudis. The offering of units in the REIT has been approved by the CMA on 8 Safar 1438H (corresponding to 8 November 2016).

During May 2018, the Fund increased its units by issuing 121,697,101 unit offering a combination of Second republic offering and In-kind contribution, the Fund size reached to SAR 1.6 billion.

During the year, the Fund acquired 100% ownership interest in Durrat Al Dahia and Durrat Hattin (the “Subsidiaries”). The objective of the subsidiaries is engaged in the provision of tourists accommodation services in accordance with Saudi Commission for Tourism. Accordingly, the comparative are not consolidated hence are not comparable.

As of 31 December 2018, the Fund’s current liability exceeds its current assets by SAR 46.3 million, mainly on account of Tawaruq facilities due during 2019 and amounting to SAR 88.3 million. However, Subsequent to the year ended, The Fund has signed Islamic Finance Agreement with Riyadh Bank, which correct assets liabilities mismatch as of 31 December 2018.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the “Regulations”) and REIT instructions published by Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and 19 Jumada II 1427H (corresponding to 15 July 2006) respectively, detailing requirements for all types of funds within the Kingdom of Saudi Arabia.

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyadh Capital)
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
For Six-month the period ended 30 June 2019
(Amount in SAR)

3. BASIS OF PRESENTATION

3.1 Statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" as endorsed in Kingdom of Saudi Arabia.

3.2 Basis of measurement and functional and presentation currency

These interim financial statements have been prepared on a going concern basis under the historical cost convention except for investments measured at FVPL if any, using accrual basis of accounting and are expressed in Saudi Arabian Riyals (SAR), which is REITs functional and operational currency.

3.3 Critical accounting judgments, estimates and assumption

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Going Concern

REIT's management has made an assessment of REIT's ability to continue as a going concern and is satisfied that the REIT has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on REIT's ability to continue as a going concern. (Refer to note 1).

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)
For Six-month the period ended 30 June 2019
(Amount in SAR)

3. BASIS OF PRESENTATION (Continued)

3.3 Critical accounting judgments, estimates and assumption (continued)

Residual and useful lives of investment properties

The REIT's management determines the estimated residual value and useful lives of its investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3.4 Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim financial statements are set below:

Basis of consolidation

The interim financial statements include the financial statements of the REIT and all of its subsidiaries (see note 1). The REIT controls a subsidiary if it has power over it, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have the same reporting date of the REIT. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when such control ceases.

Details of the REIT's operating subsidiaries as of 31 December 2018 are as follows:

| Name of subsidiary | Acquisition date | Principal Activity | Country | Proportion of Ownership Interest and Voting Power Held |
|---|------------------|--------------------|--------------|--|
| Durrat Aldahia Company – Burj Rafal Hotel | 1 April 2018 | Hotel | Saudi Arabia | 100% |
| Durrat Hittin company - Braira Hattin Hotel | 9 June 2018 | Hotel | Saudi Arabia | 100% |

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(Amount in SAR)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the Fund's financial statements for the year ended 31 December 2018.

5. PROPERTY UNDER DEVELOPMENT

| | <u>30 June 2019 (Unaudited)</u> | |
|---|---------------------------------|--------------------|
| | <u>Ascott Khobar</u> | <u>Total</u> |
| Balance as of December 31, 2018 | 133,927,572 | 133,927,572 |
| Development Cost incurred during the year | 10,431,045 | 10,431,045 |
| Tawaruq facility Cost capitalized | 144,887 | 144,887 |
| Balance as of 30 June 2019 | 144,503,504 | 144,503,504 |

| | <u>31 December 2018 (Audited)</u> | |
|---|-----------------------------------|--------------------|
| | <u>Ascott Khobar</u> | <u>Total</u> |
| Property under development | | |
| Balance as of December 31, 2017 | 92,614,163 | 92,614,163 |
| Development Cost incurred during the year | 39,786,357 | 39,786,357 |
| Tawaruq facility Cost capitalized | 1,527,052 | 1,527,052 |
| Balance as of 30 December 2018 | 133,927,572 | 133,927,572 |

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

For Six-month the period ended 30 June 2019
(Amount in SAR)

6. INVESTMENT PROPERTIES

| | <u>Land</u> | <u>Building</u> | <u>Equipment</u> | <u>Total</u> |
|--|--------------------|--------------------|-------------------|----------------------|
| <u>Cost</u> | | | | |
| Balance as of 1 January 2019 | 720,838,051 | 809,345,136 | 65,075,988 | 1,595,259,175 |
| Additions | 24,670,000 | 33,044,000 | 14,835,345 | 72,549,345 |
| Balance as of 30 June 2019 | <u>745,508,051</u> | <u>842,389,136</u> | <u>79,911,333</u> | <u>1,667,808,520</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Balance as of 1 January 2019 | - | 21,634,930 | 5,387,795 | 27,022,725 |
| Charge for the period | - | 6,158,231 | 1,412,461 | 7,570,692 |
| Balance as of 30 June 2019 | <u>-</u> | <u>27,793,161</u> | <u>6,800,256</u> | <u>34,593,417</u> |
| Book Value : | | | | |
| as of 30 June 2019 | <u>745,508,051</u> | <u>814,595,975</u> | <u>73,111,077</u> | <u>1,633,215,103</u> |
| as of 31 December 2018 | <u>720,838,051</u> | <u>787,710,206</u> | <u>59,688,193</u> | <u>1,568,236,450</u> |

This represents ten properties; namely:

- Izdhar Center: represents a newly built commercial property located on Othman Bin Afan Road in the Izdihar District (within close proximity to Arabian Centre's Al Nakheel Mall). The property is located in Riyadh.
- Altamiz Center: represents a commercial property located on the intersection of Imam Road and Khalid Bin Waleed Street in the Qurtoba neighborhood. The property is located in Riyadh.
- Shati: represents a newly built commercial property located on Prince Mohammed Bin Fahad Road in the Al Shatea neighborhood. The property is located in Dammam.
- Forsan Plaza: represents a commercial property located on King Fahad Road between the Kingdom Center and the Faisaliah Tower. The property is located in Riyadh.
- Ascott Tahlia: represents a commercial property located on Tahlia street close to Bin Hamran, one of Jeddah's most prominent business and shopping centers. The property is located in Jeddah.
- Residence: represents commercial building and hospitality villas consisting of showrooms and office suites located within Hittin district. The property is located in Riyadh.
- Vivienda: represents a newly built hotel villas located on Musa Ibn Nussair Street in Mather Ash Shamali district, between Takhasusi road Prince Turki Ibn Abdulaziz Al Awwal road. The property is located in Riyadh.
- Saudi Electronic University: represents a university located Alrabi district,. The property is located in Riyadh
- Aumniah Center: represents a commercial property located on Saud Al Faisal Road. The property is located in Jeddah.
- Burj Rafal : commercial property located in King Fahad Road. The property is located in Riyadh
- AL Olaya Tower 1: represents a commercial property located in Olaya Road, and is located in Riyadh.

- 6.1** The Fund has the policy of charging depreciation on building and equipment over 30 years and 15 years respectively. The depreciation is charged on depreciable amount i.e. cost less residual value.

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(Amount in SAR)

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include Riyad Capital (being the Fund Manager), Riyad Bank (being the shareholder of Riyad Capital), KASB Capital (being the Custodian of the Fund) and the Hotels operator.

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

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

| Related Party | Nature of transactions | Amount of transactions | | Closing balances | |
|---------------------------------------|--|------------------------------|------------------------------|------------------------------|-------------------------------|
| | | 30 June 2019 (un-audited) | 30 June 2018 (un-audited) | 30 June 2019 (un-audited) | 31 December 2018 (audited) |
| Due from related Parties | | | | | |
| Riyad Bank | Cash margin against letter of credit * | 9,518,389 | - | 9,518,389 | 10,092,738 |
| | Current Account** | - | - | 3,554,651 | 9,803,594 |
| Rafal Real Estate Development Company | operating expenses | 204,058 | - | 84,111 | 9,725,751 |
| Riyadh Capital | Services provided | 421,531 | - | 131,184 | 105,015 |
| Hotel operator | Operating expenses | 895,421 | - | 2,047,513 | 2,485,511 |
| | | | | 11,781,197 | 21,023,930 |
| Due to Related parties | | | | | |
| Riyad Capital | Investments account** | - | - | 3,792,310 | 18,937 |
| | Fund management fee*** | 9,165,760 | 3,227,395 | 9,165,760 | 21,797,231 |
| | Dealing fees*** | - | 9,825,960 | 8,654,297 | 4,422,707 |
| Riyad Bank | Tawaruq facility**** | - | - | 295,441,948 | 88,339,892 |
| | Commissions expenses | - | - | - | - |
| | **** | 1,449,643 | - | 1,449,643 | - |
| Hotel operator | Operating expenses | 2,799,619 | - | 2,516,560 | 2,989,755 |
| | | | | 321,020,518 | 117,568,522 |

* Cash margin against letter of credit is included in the consolidated statement of financial position under Prepayment and other receivables.

** Current account and investment account are included in the consolidated statement of financial position under Cash and Cash equivalents.

***Fund management fee and Transaction fee payable is included in the consolidated statement of financial position under accrued expenses.

**** Tawaruq facility includes commission being capitalized and included in the consolidated statement of financial position under Property under development.

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8. TAWARUQ FACILITY

During the year ended 31 December 2018, the Fund has obtained a Tawaruq facility (Shari'ah compliant), whereby the outstanding balance as of 31 December 2018 is 88,339,892 (31 December 2017: SR 194,923,371), from Riyadh Bank through Riyadh Capital. The facility carries a floating special commission rate of SIBOR+ 1%. The maturity date of the tawaruq facility will be due during 2019.

| Type of loan | Nature of the facility | Balance as at | | Special commission for the period ended at | |
|--------------|------------------------|------------------------------|-------------------------------|--|------------------------------|
| | | 30 June 2019 (un-audited) | 31 December 2018 (audited) | 30 June 2019 (un-audited) | 30 June 2018 (un-audited) |
| Tawaruq | Long term | 295,441,948 | 88,339,892 | 1,159,869 | 346,812 |
| | | 295,441,948 | 88,339,892 | 1,159,869 | 346,812 |

9. EFFECT OF NET ASSET VALUE IF DEVELOPMENT AND INVESTMENT 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 International accounting standards 40 ("IAS 40"), development and investment properties are carried at cost less accumulated depreciation and impairment if any in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment and development properties are determined by two selected appraisers each of the 11 properties i.e. **Barcode Company** and **Valustrat Company**. the valuation of the investment and development properties are as follows:

| 30 June 2019 (Unaudited) | First Appraiser | Second Appraisers | Average |
|--|------------------------|--------------------------|----------------------|
| Investment properties and property under development | 1,845,374,354 | 1,833,600,000 | 1,839,487,177 |
| Total | 1,845,374,354 | 1,833,600,000 | 1,839,487,177 |
| 31 December 2018 (Audited) | First Appraiser | Second Appraisers | Average |
| Investment properties and property under development | 1,777,249,452 | 1,756,600,000 | 1,766,924,726 |
| Total | 1,777,249,452 | 1,756,600,000 | 1,766,924,726 |

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

The investment and development 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 & fragmentation plot analysis, the cost method, the direct comparison method, and residual value method. Below is an analysis of the development and investment properties fair value versus cost:

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9. EFFECT OF NET ASSET VALUE IF DEVELOPMENT AND INVESTMENT PROPERTIES ARE FAIR VALUED (CONTINUED)

| | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) |
|---|-----------------------------|-------------------------------|
| Estimated fair value of investment and properties under development based on the average of the two values used | 1,839,487,177 | 1,766,924,726 |
| Less: the carrying value of investment property | 1,633,215,103 | (1,568,236,450) |
| Properties under development | 144,503,504 | (133,927,572) |
| Estimated fair value in excess of book value | 61,768,570 | 64,760,704 |
| Units in issue (numbers) | 171,697,101 | 171,697,101 |
| Additional value per unit based on fair value | 0.36 | 0.38 |

Net asset attributable to unitholders:

| | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) |
|---|-----------------------------|-------------------------------|
| Net assets attributable to unitholders as per the financial statements before fair value adjustment | 1,627,531,823 | 1,641,962,795 |
| Estimated fair value in excess of book value | 61,768,570 | 64,760,704 |
| Net assets attributable to unitholders based on fair valuation of investment and Properties under development | 1,689,300,393 | 1,706,723,499 |

Net asset attributable to each unit:

| | 30 June 2019 (Unaudited) | 31 December 2018 (Audited) |
|--|-----------------------------|-------------------------------|
| Book value per unit as per the financial statements before fair value adjustment | 9.46 | 9.56 |
| Additional value per unit based on fair value | 0.36 | 0.38 |
| Net assets attributable to each unit based on fair valuation | 9.82 | 9.94 |

All properties are held in the name of Riyad Real Estate Income Company (the "Trustee"). The Trustee is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

10. DIVIDENDS DISTRIBUTION

On 21 January 2018, the Fund's board of directors has approved to distribute a dividend with regards to the six month period ended 31 December 2017 for an amount of SR 0.30 per unit totalling SR 15 million to its unit holders.

On 2 August 2018, the Fund's board of directors has approved to distribute a dividend with regards to the six month period ended 30 June 2018 for an amount of SR 0.17 per unit totalling SR 29 million to its unit holders.

On 6 March 2019, the Fund's board of directors has approved to distribute a dividend with regards to the six month period ended 31 December 2018 for an amount of SR 0.28 per unit totalling SR 48 million to its unit holders.

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11. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2018, the Fund has outstanding letters of credit of SR 9,518,389 million (31 December 2018: SR 10 million), being issued by Riyadh Bank, against which a cash margin, being included in the consolidated financial position under prepayment and other assets of the same amount is blocked thereby.

12. OPERATING SEGMENTS

| comprehensive income | For the year period ended 30 June 2019 (Unaudited) | | |
|-------------------------------------|---|--|---------------------|
| | Investments property | Hotels managed by third party | Total |
| Revenue | | | |
| Income from rental and operation | 32,535,633 | - | 32,535,633 |
| Rooms revenue | - | 33,291,183 | 33,291,183 |
| Food and beverage revenue | - | 21,510,698 | 21,510,698 |
| Other department revenue | - | 1,742,198 | 1,742,198 |
| Total Income | 32,535,633 | 56,544,079 | 89,079,712 |
| Cost of Revenue | | | |
| Rooms | - | (5,924,271) | (5,924,271) |
| Food and beverage | - | (11,200,926) | (11,200,926) |
| Other department | - | (1,447,244) | (1,447,244) |
| Gross Profit | 32,535,633 | 37,971,638 | 70,507,271 |
| OPERATING EXPENSES | | | |
| Property management expenses | - | (2,360,511) | (2,360,511) |
| Fund management fee | (9,165,760) | - | (9,165,760) |
| Custodial expenses | (100,000) | - | (100,000) |
| General and administrative expenses | (3,458,847) | (15,768,241) | (19,227,089) |
| TOTAL OPERATING EXPENSES | (12,724,607) | (18,128,752) | (30,853,360) |
| Other income | 1,362,200 | 198,797 | 1,560,997 |
| Funds From Operations | 21,173,226 | 20,041,682 | 37,718,880 |
| Investment properties depreciation | - | - | (7,570,692) |
| Net income for the period | 21,173,226 | 20,041,682 | 33,644,216 |

The Fund did not disclose the operating segment for the period ended 30 June 2018, since the Fund was investing in a single sector and a single industry (investment property in the Kingdom of Saudi Arabia).

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12. OPERATING SEGMENTS (CONTINUED)

| | As at 30 June 2019 (Unaudited) | | |
|---|--------------------------------|----------------------------------|----------------------|
| | Investments property | Hotels managed by third party | Total |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5,819,970 | 20,192,531 | 26,012,501 |
| Account receivables, net | 32,317,090 | 19,225,111 | 51,542,201 |
| Inventory | - | 1,246,658 | 1,246,658 |
| Prepayment and other receivables | 28,756,206 | 2,012,866 | 30,769,072 |
| Due from related parties | 759,565 | 1,503,243 | 2,262,808 |
| TOTAL CURRENT ASSETS | 67,652,831 | 44,180,409 | 111,833,240 |
| NON-CURRENT ASSETS | | | |
| Properties under development | - | - | 144,503,504 |
| Joint Investment in real estate | - | - | 102,178,622 |
| Investment properties | - | - | 1,633,215,103 |
| TOTAL NON-CURRENT ASSETS | - | - | 1,879,897,229 |
| TOTAL ASSETS | 67,652,831 | 44,180,409 | 1,991,730,469 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | - | 8,646,464 | 8,646,464 |
| Unearned rental income | 9,795,097 | - | 9,795,097 |
| Accrued expenses | 22,132,210 | 10,109,616 | 32,241,826 |
| Due to related parties | 1,000,000 | 1,516,560 | 2,516,560 |
| TOTAL CURRENT LIABILITIES | 32,927,307 | 20,272,640 | 53,199,947 |
| NON-CURRENT LIABILITIES | | | |
| Tawaruq facilities | - | - | 295,441,948 |
| Employees' post-employment benefits replacement reserve | - | 1,844,278 | 1,844,278 |
| | - | 13,712,474 | 13,712,474 |
| TOTAL LIABILITIES | 32,927,307 | 35,829,392 | 364,198,647 |

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12. OPERATING SEGMENTS (CONTINUED)

| | As at 31 December 2018 (Audited) | | |
|---|----------------------------------|----------------------------------|----------------------|
| | Investments property | Hotels managed by third party | Total |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9,842,532 | 21,655,117 | 31,497,648 |
| Account receivables, net | 20,001,571 | 14,142,516 | 34,144,087 |
| Inventory | - | 1,236,128 | 1,236,128 |
| Prepayment and other receivables | 14,662,914 | 2,669,256 | 17,332,170 |
| Due from related parties | 10,053,219 | 2,263,058 | 12,316,277 |
| TOTAL CURRENT ASSETS | 54,560,236 | 41,966,075 | 96,526,310 |
| NON-CURRENT ASSETS | | | |
| Properties under development | - | - | 133,927,572 |
| Investment properties | - | - | 1,568,236,450 |
| TOTAL NON-CURRENT ASSETS | - | - | 1,702,164,022 |
| TOTAL ASSETS | 54,560,236 | 41,966,075 | 1,798,690,332 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | - | 5,970,841 | 5,970,841 |
| Unearned rental income | 8,915,303 | - | 8,915,303 |
| Accrued expenses | 26,220,485 | 10,404,854 | 36,625,339 |
| Due to related parties | - | 2,989,755 | 2,989,755 |
| TOTAL CURRENT LIABILITIES | 35,135,788 | 19,365,450 | 54,501,238 |
| NON-CURRENT LIABILITIES | | | |
| Tawaruq facilities | - | - | 88,339,892 |
| Employees' post-employment benefits replacement reserve | - | 1,901,047 | 1,901,047 |
| | - | 11,985,360 | 11,985,360 |
| TOTAL LIABILITIES | 35,135,788 | 33,251,857 | 156,727,537 |

13. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year presentation, however the impact of such reclassifications was not material to the overall presentation of the consolidated financial statements.

14. LAST VALUATION DAY

The last valuation day of the year was 30 June 2019.(30 June 2018:30 June 2018).

15. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements were approved by the Fund's Board of Directors on 19 August 2019 corresponding to 18 Dhul-Hijjah 1440 H.