

RIYAD REIT FUND
A Real Estate Investments Traded Fund
(MANAGED BY RIYAD CAPITAL)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

RIYAD REIT FUND
(Managed by Riyad Capital)

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

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

**TO THE UNITHOLDERS OF
Riyad REIT Fund
Kingdom of Saudi Arabia**

INTRODUCTION

We have reviewed the accompanying interim consolidated statement of financial position of **Riyad REIT Fund** (the "Fund") and its subsidiary (together "Group") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2021 and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in net assets (Equity) attributable to the unitholders and interim consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated 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 consolidated 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 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 consolidated 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.



**Ibrahim Ahmed Al-Bassam
Certified Public Accountant - License No. 337**

**Date: 09 Muharram 1443H
Corresponding: 17 August 2021G
Riyadh, Kingdom of Saudi Arabia**

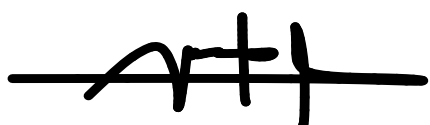
RIYAD REIT FUND
(Managed by Riyadh Capital)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Amounts in Saudi Riyals)

	Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		18,510,865	30,289,408
Account receivable		99,608,840	52,763,009
Inventory		1,152,785	952,475
Prepayment and other receivables		42,963,642	42,275,387
Due from related parties	9	1,049,400	196,556
Investments carried at fair value through profit or loss (FVTPL)		590,546,977	590,546,977
Properties under development		19,026,813	15,257,530
Investment properties	6	1,775,743,033	1,788,863,770
TOTAL ASSETS		2,548,602,355	2,521,145,112
<u>LIABILITIES</u>			
Islamic financing	7	866,907,492	833,907,492
Accounts payable		5,618,975	7,202,975
Unearned rental income		25,529,292	18,324,248
Accrued expenses		60,083,889	65,964,186
Due to related parties	9	5,927,582	1,546,506
Employees' post-employment benefit		2,936,074	2,842,780
TOTAL LIABILITIES		967,003,304	929,788,187
NET ASSETS (EQUITY) VALUE		1,581,599,051	1,591,356,925
UNITS IN ISSUE (Number)		171,697,101	171,697,101
PER UNIT VALUE		9.21	9.27
PER UNIT FAIR VALUE		9.96	9.59
Commitments and contingencies	11		



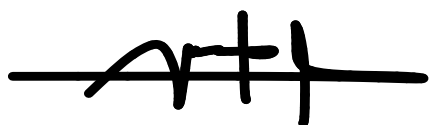


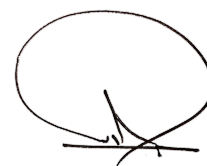
The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

RIYAD REIT FUND
(Managed by Riyadh Capital)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)

	Note	30 June 2021 (Un Audited)	30 June 2020 (Un Audited)
Income from rental and operation	12	81,972,623	66,773,431
Income from investments carried at FVTPL			
- Dividend Income		27,202,192	21,627,048
Total Income		109,174,815	88,400,479
Cost of Revenue	12	(15,111,851)	(15,093,110)
Gross Profit		94,062,964	73,307,369
OPERATING EXPENSES			
Property management expenses		(931,887)	(2,133,545)
Fund management fee		(11,086,921)	(9,257,729)
General and administrative expenses		(26,321,825)	(18,944,807)
Finance cost expense		(9,132,712)	(7,830,856)
TOTAL OPERATING EXPENSES		(47,473,345)	(38,166,937)
Funds from Operations		46,589,619	35,140,432
Investment properties depreciation	6	(13,423,216)	(11,240,666)
Net income for the period		33,166,403	23,899,766
Other comprehensive income for the period		-	-
Total comprehensive income for the period		33,166,403	23,899,766





The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

RIYAD REIT FUND
(Managed by Riyadh Capital)

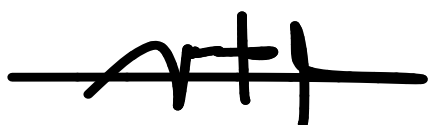
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)
(UNAUDITED)

For the six month-period ended 30 June 2021
(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 June 2021</u> <u>(Un Audited)</u>	<u>30 June 2020</u> <u>(Un Audited)</u>
Net asset (Equity) value attributable to the Unitholder at beginning of the period		1,591,356,925	1,623,564,872
Changes from unit transaction:			
Subscription of units – Cash		-	-
Subscription of units – In-kind contribution		-	-
Dividend paid during the period	13	(42,924,277)	(42,924,275)
Total comprehensive income for the period		33,166,403	23,899,766
Net asset (Equity) value attributable to the unitholder at end of the period		1,581,599,051	1,604,540,363

Transactions in units for the period are summarized as follows:

	<u>30 June 2021</u> <u>(Un Audited)</u>	<u>30 June 2020</u> <u>(Un Audited)</u>
Number of units at the beginning of the period	171,697,101	171,697,101
Subscription of units – Cash	-	-
Subscription of units – In-kind contribution	-	-
Number of units at the end of the period	171,697,101	171,697,101





The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.

RIYAD REIT FUND
(Managed by Riyadh Capital)

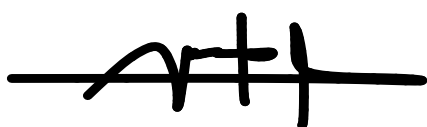
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

	Note	30 June 2021 (Un Audited)	30 June 2020 (Un Audited)
OPERATING ACTIVITIES			
Net income for the period		33,166,403	23,899,766
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Provision for doubtful debt		1,300,000	3,113,245
Investment properties depreciation		13,423,216	11,240,666
		<u>47,889,619</u>	<u>38,253,677</u>
Changes in operating assets:			
Prepayment and other receivables		(688,255)	(15,299,248)
Account receivables		(48,145,831)	(26,937,403)
Inventory		(200,310)	(14,698)
Due from related parties		(7,505,248)	1,275,659
Properties under development		(3,769,283)	(9,337,799)
Purchase of investment properties	6	(302,479)	(212,733)
Changes in operating liabilities:			
Unearned rental income		7,205,044	1,740,013
Accounts payable		(1,584,000)	157,877
Accrued expenses		(3,773,047)	11,288,949
Due to related parties		8,926,232	(528,005)
Employees' end of service benefits		93,290	613,337
Net cash generated (used in) / from operating activities		<u>(1,854,268)</u>	<u>999,626</u>
FINANCING ACTIVITIES			
Islamic financing		33,000,000	4,234,739
Dividend paid during the period	13	(42,924,275)	(42,924,275)
Net cash (used in) / generated from financing activities		<u>(9,924,275)</u>	<u>(38,689,536)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,778,543)	(37,689,910)
Cash and cash equivalents at the beginning of the period		30,289,408	44,591,183
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u><u>18,510,865</u></u>	<u><u>6,901,273</u></u>

The accompanying notes 1 to 18 form an integral part of these interim condensed financial statements.





RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Riyad REIT (the “REIT” or the “Fund”) is a closed-ended 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 traded on the Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amount to SAR 1,663,000,010 (31 December 2019: SAR 1,663,000,010). The REIT has a term of 99 years, which is extendable on 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 8/2/1438H (corresponding to 8/11/2016).

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the “Regulations”) and REIT instructions published by CMA, detailing requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: “Interim Financial Reporting” (“IAS 34”) as endorsed in Kingdom of Saudi Arabia and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Assets and liabilities in the statement of financial position are presented in the order of liquidity. 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 2020. The results for the six-month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (CONTINUED)

3.2 *Basis of measurement*

These interim condensed consolidated financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss.

3.3 *Functional and presentation currency*

These interim condensed consolidated 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.

3.4 *Critical accounting judgments, estimates and assumption*

In preparing these interim condensed consolidated 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 2020, except for the estimate described below:

Measurement of the expected credit loss allowance

In the preparation of the interim condensed consolidated financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2020.

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- **MANAGEMENT FEE, OTHER EXPENSES**

On semiannual basis the Fund Manager charges the Fund, management fee at the rate of 1.2 % per annum of the Fund's total assets value. The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as audit and legal fees, board compensation and other similar charges.

- **TRANSACTION FEE**

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

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES

	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 31 December 2020	766,830,929	981,562,981	114,126,382	1,862,520,292
Additions	-	-	302,479	302,479
Disposal	-	-	-	-
Balance as of 30 June 2021	766,830,929	981,562,981	114,428,861	1,862,822,771
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2020	-	(55,299,551)	(18,356,971)	(73,656,522)
Charge for the year	-	(9,639,430)	(3,783,786)	(13,423,216)
Balance as of 30 June 2021	-	(64,938,981)	(22,140,757)	(87,079,738)
Net Book Value:				
As of 30 June 2021,	<u>766,830,929</u>	<u>916,624,000</u>	<u>92,288,104</u>	<u>1,775,743,033</u>
As of 31 December 2020,	<u>766,830,929</u>	<u>926,263,430</u>	<u>95,769,411</u>	<u>1,788,863,770</u>
<u>Cost</u>				
Balance as of 31 December 2020	743,824,715	830,368,632	94,294,257	1,668,487,604
Additions	-	212,734	-	212,734
Transferred from properties under development	23,006,214	150,981,615	19,832,125	193,819,954
Balance as of 31 December 2020	<u>766,830,929</u>	<u>981,562,981</u>	<u>114,126,382</u>	<u>1,862,520,292</u>
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2020	-	(37,530,508)	(11,472,215)	(49,002,723)
Charge for the year	-	(17,769,043)	(6,884,756)	(24,653,799)
Balance as of 31 December 2020	<u>-</u>	<u>(55,299,551)</u>	<u>(18,356,971)</u>	<u>(73,656,522)</u>
Net Book Value:				
As at 31 December 2020	<u>766,830,929</u>	<u>926,263,430</u>	<u>95,769,411</u>	<u>1,788,863,770</u>

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES (CONTINUED)

6.1 This represents twelve 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: Mixed-use property located in King Fahad Road. The property is located in Riyadh
- Olaya Tower: Commercial property located in Olaya street. The property is located in Riyadh.

- Ascott Cornich Al-Khobar: represents a hotel located in Prince Turki Road. The property is located in Al Khobar

6.2 The Fund charges depreciation on building and equipment over 50 years and 15 years respectively. The depreciation is charged on depreciable amount i.e. cost less residual value.

6.3 All properties are held in the name of Riyadh Real Estate income Company (the "SPV") or by companies owned by the SPV. The SPV are holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

6.4 The Fund manager on a periodic basis review its investment properties for impairment. An impairment loss is considered by the amount of which the carrying value exceeds the investment properties recoverable amount, which is the higher of an assets fair value less cost to sell and the value in use. In accordance with the periodic evaluation reports furnished by the Fund's independent appraisers, the impairment loss on investment properties was not recognized in the financial statements as the amount was not material.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2021
(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuations techniques used in determining the fair value of investment properties, as well as key unobservable inputs used in valuation models.

Measurement data of fair value according to IFRS 13 as at 30 June 2021 as follows:

Barcode			
Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhari Center	Income Approach	Capitalization rate	8%
Altamiz Center	Income Approach and DCF	Capitalization rate and discount rate	8%
Shati	Income Approach	Capitalization rate	8.5%
Forsan Plaza	Income Approach and DCF	Capitalization rate and discount rate	8.5%
Ascott Tahlia	Income Approach and DCF	Capitalization rate and discount rate	8%
Residence	Income Approach	Capitalization rate	8%
Vivienda	Income Approach	Capitalization rate	8%
Saudi Electronic University	Income Approach	Capitalization rate	8%
Omniah Center	Income Approach and DCF	Capitalization rate and discount rate	8%
Burj Rafal	Income Approach and DCF	Capitalization rate and discount rate	8.5%
Olaya Tower	Income Approach	Capitalization rate	9%
Ascott Cornich Al-Khobar	Income Approach and DCF	Capitalization rate Discount rate	8% 8.5%

Mumtalakati			
Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhari Center	Income Approach	Investment method	8%
Altamiz Center	Income Approach	DCF	8%
Shati	Income Approach	Investment method	8.5%
Forsan Plaza	Income Approach	DCF	8.5%
Ascott Tahlia	Income Approach	DCF	8%
Residence	Income Approach	Investment method	7.5%
Vivienda	Income Approach	Investment method	8%
Saudi Electronic University	Income Approach	Investment method	8%
Omniah Center	Income Approach	DCF	8%
Burj Rafal	Income Approach	DCF	9%
Olaya Tower	Income Approach	Investment method	9%
Ascott Cornich Al-Khobar	Income Approach	DCF	8%

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

7. ISLAMIC FINANCING

The Fund has a Tawaruq and Islamic Murabaha facility (Shari'ah compliant), whereby the outstanding balance as of 30 June 2021 is SR 866,907,492 (31 December 2020: SR 833,907,492) from Riyadh Bank through Riyadh Capital. The Tawaruq facility carries a floating special commission rate of SIBOR+ 1%. The Islamic Murabaha facility carries a floating special commission rate of SIBOR+ 1.6% with a maturity due during 2024.

The Tawaruq and Islamic Murabaha is secured by pledge of Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower.

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Balance at beginning of the period / year	833,907,492	685,076,029
Additions during the period / year	447,578,968	311,958,880
Payment	(414,578,968)	(169,000,556)
Accrued interest	-	5,873,139
Total value of Islamic financing	866,907,492	833,907,139

Details on the accrued of finance cost are as follows:

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Opening balance	5,873,139	1,745,785
Additions during the period / year	447,578,968	25,083,833
Amortization of the period / year	(414,578,968)	(20,956,479)
	-	5,873,139

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2021

(Amounts in Saudi Riyals)

8. EFFECT OF NET ASSET VALUE IF DEVELOPMENT AND INVESTMENT PROPERTIES ARE FAIR VALUED

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, 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 12 properties i.e. **Mumtalakati Company** and **Barcode Company**. As of 30 June, the valuation of the investment and development properties are as follows:

<u>30 June 2021</u>	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,933,589,188	1,913,535,000	1,923,562,094
Total	1,933,589,188	1,913,535,000	1,923,562,094
<u>31 December 2020</u>	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,886,537,000	1,831,300,000	1,858,918,500
Total	1,886,537,000	1,831,300,000	1,858,918,500

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:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Estimated fair value of investment and development properties based on the average of the two valuers used	1,923,562,094	1,858,918,500
Less: the carrying value of		
- Investment property	(1,775,743,033)	(1,788,863,770)
- Properties under development	(19,026,813)	(15,257,530)
Estimated fair value in excess of book value	128,792,248	54,797,200
Units in issue (numbers)	171,697,101	171,697,101
Additional value per unit based on fair value	0.75	0.32

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

Net asset attributable to unitholders:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,581,599,051	1,591,356,925
Estimated fair value in excess of book value	128,792,248	54,797,200
Net assets attributable to unitholders based on fair valuation of investment and properties under development	1,710,391,299	1,646,154,125

Net asset attributable to each unit:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Book value per unit as per the financial statements before fair value adjustment	9.21	9.27
Additional value per unit based on fair value	0.75	0.32
Net assets attributable to each unit based on fair valuation	9.96	9.59

All properties are held in the name of Riyadh 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.

9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties of the Fund include Riyadh Capital (being the Fund Manager), Riyadh Bank (being the shareholder of Riyadh 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.

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9. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

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 2021	30 June 2020	30 June 2021	31 December 2020
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	-	-	2,000,000
	Current Account	-	-	10,230,698	17,916,169
Riyad Capital	Investments account	-	-	362,993	180,507
Hotel operator	Operating expenses	-	-	1,049,400	196,556
Due to Related parties					
Riyad Capital	Fund management fee**	11,086,921	9,257,729	33,108,156	43,283,326
	Transaction fee**	-	-	-	-
Riyad Bank	Islamic financing	-	-	866,907,492	833,907,492
	Finance cost expense	(9,132,712)	7,830,856	-	-
Hotel operator	Hotel management expenses	2,805,128	1,629,846	2,015,437	-
	Operating expenses	2,365,639	1,242,830	3,912,145	1,546,506

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

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

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The REIT's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, other receivables, accrued liabilities and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The REIT management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the REIT.

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to due from related parties an obligation.

The Fund is exposed to credit risk for its cash and cash equivalents, rental receivables, due from related parties and bank balances.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. Cash is placed with a reputable financial institution.

The following table shows maximum exposure to credit risk for the components of the statement of financial position:

	Note	30 June 2021 (Unaudited)	31 December 2021 (Audited)
Cash and cash equivalents		18,510,865	30,289,408
Accounts receivable		99,608,840	52,763,009
Due from related parties	9	1,049,400	196,556

The management has conducted a review as required under IFRS 9 and based on an assessment, the management has recognised an impairment provision amounting to SR 7,171,155. Further, no provision are recognised for cash and cash equivalents and due from related parties, since the amounts were not material.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund Manager monitors liquidity requirements by ensuring that sufficient funds are available to meet any commitments as they arise, either through new subscriptions, liquidation of the investment portfolio or by taking short term loans from the Fund Manager.

All financial liabilities have a maturity of less than 1 year except for the Islamic Murabaha facility which will be due in 2024.

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10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(CONTINUED)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

Geographical Concentration

All the assets and liabilities are distributed within the Kingdom of Saudi Arabia, apart from investments carried at FVTPL which is invested in North America.

Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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.

As of June 30, 2021, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, account receivables, due from related parties, Islamic financing, due to related parties accrued management fee and accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 2 hierarchy of fair value. To determine the fair value of such investments, management used NAV of the funds which is based on observable market data. There were no transfers among the level 1, 2 and 3 during the period ended June 30, 2021.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2021, the Fund has outstanding letters of credit of SR 2 million (31 December 2020: SR 2 million), being issued by Riyadh Bank, against which a cash margin, is placed and recognised in the consolidated statement of financial position under prepayment and other assets.

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12. OPERATING SEGMENTS

The Fund's primary business is conducted in Saudi Arabia. Transactions between the operating segments are on normal commercial terms and conditions. The Fund's total assets and liabilities as at 30 June 2021, its total operating income and expenses, and the results for the period ended 30 June 2021 and 2020 by operating segment, are as follows:

Comprehensive income	For the period ended 30 June 2021 (Unaudited)		
	Rent	Hotel managed by third party	Total
Income from rentals	30,736,863	-	30,736,863
Dividend income	27,202,192	-	27,202,192
Rooms revenue	-	42,456,760	42,456,760
Food and Beverages	-	7,827,682	7,827,682
Other operating departments	-	951,318	951,318
Total Income	57,939,054	51,235,760	109,174,815
Rooms cost	-	(7,869,983)	(7,869,983)
Food and Beverages cost	-	(5,684,352)	(5,684,352)
Other operating departments cost	-	(1,557,516)	(1,557,516)
Gross Profit	57,939,054	36,123,909	94,062,964
OPERATING EXPENSES			
Property management expenses	(931,887)	-	(931,887)
Fund management fee	(11,086,921)	-	(11,086,921)
General and administrative expenses	(4,268,868)	(22,052,957)	(26,321,712)
Finance cost expense	(9,132,712)	-	(9,132,712)
TOTAL OPERATING EXPENSES	(25,420,388)	(22,052,957)	(47,473,345)
Other income	-	-	-
Funds from Operations	32,518,666	14,070,952	46,589,619
Investment properties depreciation	(13,423,216)	-	(13,423,216)
Net income for the year	19,095,450	14,070,952	33,166,403

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12. OPERATING SEGMENTS (CONTINUED)

	For the period ended 30 June 2020 (unaudited)		
	Rent	Hotel managed by third party	Total
Comprehensive income			
Income from rentals	27,211,188	-	27,211,188
Rooms revenue	-	29,905,275	29,905,275
Food and Beverages	-	8,829,816	8,829,816
Dividend income	21,627,048	-	21,627,048
Other operating departments	-	827,152	827,152
Total Income	48,838,236	39,562,243	88,400,479
Rooms cost	-	(8,143,859)	(8,143,859)
Food and Beverages cost	-	(6,066,094)	(6,066,094)
Other operating departments cost	-	(883,157)	(883,157)
Gross Profit	48,838,236	24,469,133	73,307,369
OPERATING EXPENSES			
Property management expenses	(2,133,545)	-	(2,133,545)
Fund management fee	(5,114,578)	(4,143,151)	(9,257,729)
Custodial expenses	(50,000)	-	(50,000)
General and administrative expenses	(12,668,924)	(14,056,739)	(26,725,663)
TOTAL OPERATING EXPENSES	(19,967,047)	(18,199,890)	(38,166,937)
Other income	-	-	-
Funds from Operations	28,871,189	6,269,243	35,140,432
Investment properties depreciation	(11,240,666)	-	(11,240,666)
Net income for the year	17,630,523	6,269,243	23,899,766

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12. OPERATING SEGMENTS (CONTINUED)

Financial position	As at 30 June 2021 (Un Audited)		
	Rent	Hotel managed by third party	Total
<u>ASSETS</u>			
Cash and cash equivalents	10,593,691	7,917,174	18,510,865
Account receivables, net	77,799,238	21,809,602	99,608,840
Inventory	-	1,152,785	1,152,785
Prepayment and other receivables	39,864,118	3,099,524	42,963,642
Due from related parties	11,258,975	(10,209,575)	1,049,400
Properties under development	19,026,813	-	19,026,813
Investments carried at fair value through profit or loss (FVTPL)	590,546,977	-	590,546,977
Investment properties	1,775,743,033	-	1,775,743,033
TOTAL ASSETS	2,524,832,845	23,769,510	2,548,602,355
<u>LIABILITIES</u>			
Islamic financing	866,907,492	-	866,907,492
Accounts payable	97,633	5,521,342	5,618,975
Unearned rental income	25,529,292	-	25,529,292
Accrued expenses	50,135,654	9,948,235	60,083,889
Due to related parties	-	5,927,582	5,927,582
Employees' post-employment benefits	-	2,936,074	2,936,074
TOTAL LIABILITIES	942,670,071	24,333,233	967,003,304
As at 31 December 2020 (Audited)			
Financial position	Rent	Hotel managed by third party	Total
<u>ASSETS</u>			
Cash and cash equivalents	18,096,677	12,192,731	30,289,408
Account receivables, net	27,585,414	25,177,595	52,763,009
Inventory	-	952,475	952,475
Prepayment and other receivables	37,419,330	4,856,057	42,275,387
Due from related parties	-	196,556	196,556
Properties under development	15,257,530	-	15,257,530
Investments carried at fair value through profit or loss (FVTPL)	590,546,977	-	590,546,977
Investment properties	842,846,456	946,017,314	1,788,863,770
TOTAL ASSETS	1,531,752,384	989,392,728	2,521,145,112
<u>LIABILITIES</u>			
Islamic financing	833,907,492	-	833,907,492
Accounts payable	741,333	6,461,642	7,202,975
Unearned rental income	18,324,248	-	18,324,248
Accrued expenses	55,130,460	10,833,726	65,964,186
Due to related parties	-	1,546,506	1,546,506
Employees' post-employment benefits	-	2,842,780	2,842,780
TOTAL LIABILITIES	908,103,533	21,684,654	929,788,187

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13. DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 5 April 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2019 amounting to SAR 0.25 per unit totalling SAR 42,924 million to its unit holders.

In accordance with the approved terms and conditions of the Fund on 26 August 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 30 June 2020 amounting to SAR 0.20 per unit totalling SAR 34,339 million to its unit holders.

In accordance with the approved terms and conditions of the Fund on 22 March 2021, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2020 amounting to SAR 0.25 per unit totalling SAR 42,924 million to its unit holders.

14. RECLASSIFICATION OF PRIOR PERIOD FIGURES

Certain comparative information has been reclassified to conform to the current period presentation.

15. CHANGES IN FUNDS TERMS AND CONDITIONS

No changes in the terms and conditions of the Fund.

16. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Fund intends to adopt all the applicable standards and interpretations when these become effective. The Fund manager has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Fund.

17. LAST VALUATION DAY

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

18. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 12 August 2021 (Corresponding to 4 Muharram 1443H).