

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 2020

RIYAD REIT FUND
(Managed by Riyad Capital)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020

	PAGES
INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS	2
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (EQUITY)	5
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	7-18



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

TO THE UNITHOLDERS OF RIYAD REIT FUND

INTRODUCTION

We have reviewed the accompanying interim consolidated statement of financial position of Riyadh REIT Fund (the "Fund") and its subsidiaries (together "Group") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2020 and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in net assets (Equity) 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 (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim consolidated 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 consolidated condensed financial statements based on our review.

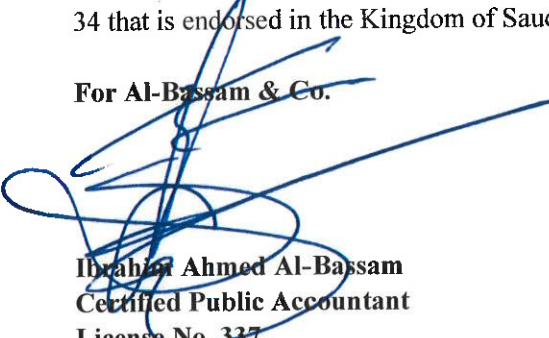
SCOPE OF REVIEW

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 consolidated 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 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



6 Muharram 1442H
25 August 2020G
Riyadh, Kingdom of Saudi Arabia

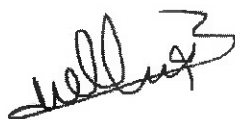
RIYAD REIT FUND
(Managed by Riyadh Capital)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>30 June 2020</u> <u>(Unaudited)</u>	<u>31 December 2019</u> <u>(Audited)</u>
<u>ASSETS</u>			
Cash and cash equivalents		6,901,273	44,591,183
Account receivable		83,314,540	59,490,382
Inventory		1,202,612	1,187,914
Prepayment and other receivables		44,575,357	29,276,109
Due from related parties	9	16,997	1,292,656
Investments carried at fair value through profit or loss (FVTPL)		453,042,060	453,042,060
Properties under development		186,742,790	177,404,991
Investment properties	6	1,608,456,948	1,619,484,881
TOTAL ASSETS		2,384,252,577	2,385,770,176
<u>LIABILITIES</u>			
Islamic financing	7	689,310,768	685,076,029
Accounts payable		10,772,977	10,615,100
Unearned rental income		20,711,571	18,971,558
Accrued expenses		55,933,031	44,644,082
Due to related parties	9	637,922	1,165,927
Employees' post-employment benefit		2,345,945	1,732,608
TOTAL LIABILITIES		779,712,214	762,205,304
NET ASSETS (EQUITY) VALUE		1,604,540,363	1,623,564,872
UNITS IN ISSUE (Number)		171,697,101	171,697,101
PER UNIT VALUE		9.35	9.46
PER UNIT FAIR VALUE		9.73	9.66
Commitments and contingencies	11		


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

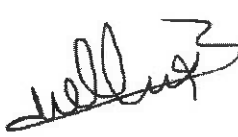
RIYAD REIT FUND
(Managed by Riyadh Capital)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

	<u>Note</u>	<u>For the six-month period ended 30 June 2020</u>	<u>For the six-month period ended 30 June 2019</u>
Income from rental and operation	12	66,773,431	89,079,712
Income from investments carried at FVTPL			
- Dividend Income		21,627,048	1,362,200
Total Income		88,400,479	90,441,912
Cost of Revenue	12	(15,093,110)	(18,572,441)
Gross Profit		73,307,369	71,869,471
OPERATING EXPENSES			
Property management expenses		(2,133,545)	(2,360,511)
Fund management fee		(9,257,729)	(9,165,760)
Custodial expenses		(50,000)	(50,000)
General and administrative expenses		(18,894,807)	(19,277,089)
Finance cost expense		(7,830,856)	-
TOTAL OPERATING EXPENSES		(38,166,937)	(30,853,360)
Other income		-	198,797
Funds from Operations		35,140,432	41,214,908
Investment properties depreciation	6	(11,240,666)	(7,570,692)
Net income for the period		23,899,766	33,644,216
Total comprehensive income for the period		23,899,766	33,644,216


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

RIYAD REIT FUND
(Managed by Riyad Capital)

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

For the six month-period ended 30 June 2020
(Amounts in Saudi Riyals)

	<u>Note</u>	For the six-month period ended 30 June 2020 (Unaudited)	For the six-month period ended 30 June 2019 (Unaudited)
Net asset (Equity) value attributable to the Unitholder at beginning of the period		1,623,564,872	1,641,962,795
Changes from unit transaction:			
- Subscription of units – Cash		-	-
- Subscription of units – In-kind contribution		-	-
Dividend paid during the period	13	(42,924,275)	(48,075,188)
Total comprehensive income for the period		23,899,766	33,644,216
Net asset (Equity) value attributable to the unitholder at end of the period		1,604,540,363	1,627,531,823

Transactions in units for the period are summarized as follows:

	For the six-month period ended 30 June 2020 (Unaudited)	For the six-month period ended 30 June 2019 (Unaudited)
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 Riyad Capital)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

	Notes	For the six-month period ended 30 June 2020 (Unaudited)	For the six-month period ended 30 June 2019 (Unaudited)
OPERATING ACTIVITIES			
Net income for the period		23,899,766	33,644,216
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Provision for doubtful debt		3,113,245	-
Investment properties depreciation		11,240,666	7,570,692
		<u>38,253,677</u>	<u>41,214,908</u>
Changes in operating assets:			
Prepayment and other receivables		(15,299,248)	(13,436,902)
Account receivables		(26,937,403)	(17,398,114)
Inventory		(14,698)	(10,530)
Due from related parties		1,275,659	9,580,274
Properties under development		(9,337,799)	(10,575,932)
Purchase of investment properties	6	(212,733)	(72,549,345)
Changes in operating liabilities:			
Unearned rental income		1,740,013	879,794
Accounts payable		157,877	2,675,622
Accrued expenses		11,288,949	(2,656,399)
Due to related parties		(528,005)	-
Employees' end of service benefits		613,337	(56,769)
Net cash generated from / (used in) operating activities		<u>999,626</u>	<u>(62,333,393)</u>
INVESTING ACTIVITIES			
Investment in real estate project		-	(102,178,622)
Net cash used in investing activities		<u>-</u>	<u>(102,178,622)</u>
FINANCING ACTIVITIES			
Islamic financing		4,234,739	207,102,056
Subscription of units		-	-
Dividend paid during the period	13	(42,924,275)	(48,075,188)
Net cash (used in) / generated from financing activities		<u>(38,689,536)</u>	<u>159,026,868</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(37,689,910)	(5,485,147)
Cash and cash equivalents at the beginning of the period		<u>44,591,183</u>	<u>31,497,648</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>6,901,273</u>	<u>26,012,501</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 2020
(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 Organisation of Certified Public 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 2019. The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(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 2019, 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 2019.

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 Riyad Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(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 2019	744,180,403	830,017,944	94,289,257	1,668,487,604
Additions	-	212,733	-	212,733
Balance as of 30 June 2020	744,180,403	830,230,677	94,289,257	1,668,700,337
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2019	-	37,530,508	11,472,215	49,002,723
Charge for the year	-	8,129,614	3,111,052	11,240,666
Balance as of 30 June 2020	-	45,660,122	14,583,267	60,243,389
Net Book Value:				
As of 30 June 2020	<u>744,180,403</u>	<u>784,570,555</u>	<u>79,705,990</u>	<u>1,608,456,948</u>
	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 31 December 2018	720,838,051	809,345,136	65,075,988	1,595,259,175
Additions	23,342,352	20,672,808	29,213,269	73,228,429
Balance as of 31 December 2019	744,180,403	830,017,944	94,289,257	1,668,487,604
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2018	-	21,634,930	5,387,795	27,022,725
Charge for the year	-	15,895,578	6,084,420	21,979,998
Balance as of 31 December 2019	-	37,530,508	11,472,215	49,002,723
Net Book Value:				
As at 31 December 2019	<u>744,180,403</u>	<u>792,487,436</u>	<u>82,817,042</u>	<u>1,619,484,881</u>

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(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

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 Certain individual investment properties have carrying value higher than the recoverable amount, however, impairment has not been recognized since the amounts were not material.

7. ISLAMIC FINANCING

The Fund has a Tawaruq (Short term) and Islamic Murabaha (Long term) facility (Shari'ah compliant), whereby the outstanding balance as of 30 June 2020 is SR 170,303,088 (31 December 2019: SR 169,000,556) and SR 519,007,680 (31 December 2019: 516,075,473) respectively, from Riyadh Bank through Riyadh Capital. The Tawaruq facility carries a floating special commission rate of SIBOR+ 1% with maturity due during 2020. The Islamic Murabaha facility carries a floating special commission rate of SIBOR+ 1.6% with a maturity due during 2024.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

8. 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 12 properties i.e. **Barcode Company** and **ValuStrat Company**. As of 30 June, the valuation of the investment and development properties are as follows:

<u>30 June 2020</u>	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment properties and property under development	<u>1,887,800,000</u>	<u>1,833,512,000</u>	<u>1,860,656,000</u>
Total	<u>1,887,800,000</u>	<u>1,833,512,000</u>	<u>1,860,656,000</u>
<u>31 December 2019</u>	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment properties and property under development	<u>1,846,900,000</u>	<u>1,815,800,000</u>	<u>1,831,350,000</u>
Total	<u>1,846,900,000</u>	<u>1,815,800,000</u>	<u>1,831,350,000</u>

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:

	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Estimated fair value of investment and development properties based on the average of the two valuers used	<u>1,860,656,000</u>	<u>1,831,350,000</u>
Less: the carrying value of investment property	<u>(1,608,456,948)</u>	<u>(1,619,484,881)</u>
Properties under development	<u>(186,742,790)</u>	<u>(177,404,991)</u>
Estimated fair value in excess of book value	<u>65,456,262</u>	<u>34,460,128</u>
Units in issue (numbers)	<u>171,697,101</u>	<u>171,697,101</u>
Additional value per unit based on fair value	<u>0.38</u>	<u>0.20</u>

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

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

Net asset attributable to unitholders:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,604,540,363	1,623,564,872
Estimated fair value in excess of book value	65,456,262	34,460,128
Net assets attributable to unitholders based on fair valuation of investment and properties under development	1,669,996,625	1,658,025,000

Net asset attributable to each unit:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Book value per unit as per the financial statements before fair value adjustment	9.35	9.46
Additional value per unit based on fair value	0.38	0.20
Net assets attributable to each unit based on fair valuation	9.73	9.66

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.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

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 2020	30 June 2019	30 June 2020	31 December 2019
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	9,518,389	3,066,387	3,381,216
	Current Account	-	-	990,449	44,066,009
Rafal real estate development company	Operating expenses	-	204,058	-	-
Riyad Capital	Services provided	-	421,531	-	-
	Investments account	-	-	1,109,866	215,046
Hotel operator	Operating expenses	-	895,421	-	1,292,656
				5,166,702	48,954,927
Due to Related parties					
Riyad Capital	Fund management fee**	9,257,729	9,165,760	32,242,628	21,262,090
	Transaction fee**	-	-	9,304,297	9,304,297
Riyad Bank	Islamic financing	-	-	689,310,768	685,076,029
	Finance cost expense	7,830,856	1,449,643	-	-
Hotel operator	Hotel management expenses	1,629,846	-	1,184,926	1,119,978
	Operating expenses	1,242,830	2,799,619	27,114	45,949
				732,069,733	716,808,343

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

**Fund management fee and Transaction fee payable is included in the interim 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.

RIYAD REIT FUND
(Managed by Riyad Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

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 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 in 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 2020	31 December 2019
Cash and cash equivalents		6,901,273	44,400,183
Accounts receivable		89,974,286	63,036,883
Due from related parties	9	16,997	1,292,656

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 6,659,746. 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.

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.

RIYAD REIT FUND
(Managed by Riyad Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 2020, the Fund's financial instruments comprise cash and cash equivalents, 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, 2020.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2020, the Fund has outstanding letters of credit of SR 3.066 million (31 December 2019: SR 3.381 million), being issued by Riyad Bank, against which a cash margin, is placed and recognised in the interim consolidated statement of financial position under prepayment and other assets.

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 2020 and 31 December 2019, its total operating income and expenses, and the results for the period ended 30 June 2020 and 2019 by operating segment, are as follows:

Comprehensive income	For the period ended 30 June 2020 (unaudited)		
	Rent	Hotel managed by third party	Total
Income from rentals	27,211,188	-	27,211,188
Dividend income	21,627,048	-	21,627,048
Rooms revenue	-	29,905,275	29,905,275
Food and Beverages	-	8,829,816	8,829,816
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

RIYAD REIT FUND
(Managed by Riyad Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

12. OPERATING SEGMENTS (CONTINUED)

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 and finance cost	(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

For the period ended 30 June 2019(unaudited)

Comprehensive income	Rent	Hotel managed by third party	Total
Income from rentals	32,535,633	-	32,535,633
Rooms revenue	-	33,291,183	33,291,183
Food and Beverages	-	21,510,698	21,510,698
Dividend income	1,362,200	-	1,362,200
Other operating departments	-	1,742,198	1,742,198
Total Income	33,897,833	56,544,079	90,441,912
Rooms cost	-	(5,924,271)	(5,924,271)
Food and Beverages cost	-	(11,200,926)	(11,200,926)
Other operating departments cost	-	(1,447,244)	(1,447,244)
Gross Profit	32,535,633	37,971,638	71,869,471

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 and finance cost	(3,458,847)	(15,768,242)	(19,227,089)
TOTAL OPERATING EXPENSES	(12,724,607)	(18,128,753)	(30,853,360)

Other income	-	198,797	198,797
Funds from Operations	19,811,026	20,041,682	41,214,908
Investment properties depreciation	(7,570,692)	-	(7,570,692)
Net income for the year	13,602,534	20,041,682	33,644,216

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

12. OPERATING SEGMENTS (CONTINUED)

Financial position	As at 30 June 2020		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	2,136,206	4,765,067	6,901,273
Account receivables, net	47,426,805	35,887,735	83,314,540
Inventory	-	1,202,612	1,202,612
Prepayment and other receivables	40,592,935	3,982,422	44,575,357
Due from related parties	-	16,997	16,997
Properties under development	186,742,790	-	186,742,790
Investments carried at fair value through profit or loss (FVTPL)	453,042,060	-	453,042,060
Investment properties	1,608,456,948	-	1,608,456,948
TOTAL ASSETS	2,338,397,744	45,854,833	2,384,252,577
LIABILITIES			
Islamic financing	689,310,768	-	689,310,768
Accounts payable	1,490,911	9,282,066	10,772,977
Unearned rental income	20,711,571	-	20,711,571
Accrued expenses	43,870,624	12,062,407	55,933,031
Due to related parties	-	637,922	637,922
Employees' post-employment benefits	-	2,345,945	2,345,945
TOTAL LIABILITIES	755,383,874	24,328,340	779,712,214
As at 31 December 2019			
Financial position	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	24,624,549	19,966,634	44,591,183
Account receivables, net	36,532,037	22,958,345	59,490,382
Inventory	-	1,187,914	1,187,914
Prepayment and other receivables	26,227,701	3,048,408	29,276,109
Due from related parties	385,795	906,861	1,292,656
Properties under development	177,404,991	-	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	453,042,060	-	453,042,060
Investment properties	852,346,920	767,137,961	1,619,484,881
TOTAL ASSETS	1,570,564,053	815,206,123	2,385,770,176
LIABILITIES			
Islamic financing	685,076,029	-	685,076,029
Accounts payable	3,271,061	7,344,039	10,615,100
Unearned rental income	18,971,558	-	18,971,558
Accrued expenses	34,662,347	9,981,735	44,644,082
Due to related parties	-	1,165,927	1,165,927
Employees' post-employment benefits	-	1,732,608	1,732,608
TOTAL LIABILITIES	741,980,995	20,224,309	762,205,304

13. DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 30 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 42,924,275 to its unit holders. The same was paid on 3 May 2020.

RIYAD REIT FUND
(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

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 have occurred 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 30 June 2020.

18. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Fund's Board on 25 August 2020 (Corresponding to 06 Muharram, 1442H).