

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

AND INDEPENDENT AUDITOR'S REPORT ON REVIEW

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

RIYAD REIT FUND
(Managed by Riyadh Capital)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022

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

TO THE UNITHOLDERS OF RIYAD REIT FUND

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Riyadh REIT Fund (the "Fund") and its subsidiary (together "Group") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2022 and the related interim consolidated statements of comprehensive income, interim consolidated statement of changes in net assets (Equity) and interim consolidated statement 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 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 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.



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RIYAD REIT FUND
(Managed by Riyad Capital)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Amounts in Saudi Riyals)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		73,093,443	68,187,474
Account receivables		147,931,748	91,623,108
Inventories		1,201,525	1,230,725
Prepayment and other assets		68,516,164	56,269,885
Due from related parties		6,079,832	12,791,524
Properties under development		47,255,994	34,180,584
Investments carried at fair value through profit or loss (FVTPL)		770,075,297	854,641,663
Investment properties	6	<u>1,938,184,571</u>	<u>1,953,666,450</u>
TOTAL ASSETS		<u>3,052,338,574</u>	<u>3,072,591,413</u>
<u>LIABILITIES</u>			
Accounts payable		13,304,558	9,056,522
Unearned rental income		31,975,826	29,512,371
Accrued expenses and other liabilities		56,474,393	62,196,638
Due to related parties		7,483,759	9,359,343
Hotels employees' post-employment benefits		3,239,156	2,994,450
Islamic financing	7	<u>1,360,847,089</u>	<u>1,360,847,492</u>
TOTAL LIABILITIES		<u>1,473,324,781</u>	<u>1,473,966,816</u>
Net assets attributable to the Unitholders		<u>1,579,013,793</u>	<u>1,598,624,597</u>
Units in issue (<i>numbers</i>)		171,697,101	171,697,101
Book value attributable to each unit		<u>9.20</u>	<u>9.31</u>
Fair value attributable to each unit	8	<u>11.29</u>	<u>10.20</u>
Commitments and contingencies			

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 2022

(Amounts in Saudi Riyals)

	<u>Notes</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Income from rental and operations		99,993,384	81,972,623
Cost of revenue		(20,664,031)	(15,111,851)
Investment properties depreciation	6	(15,481,879)	(13,423,216)
Gross Profit		63,847,474	53,437,556
Property management expenses		(3,080,146)	(931,887)
Fund management fees	9	(12,783,070)	(11,086,921)
Custody fees		(50,000)	(25,000)
General and administrative expenses		(25,606,075)	(24,996,825)
Provision for doubtful debts		(1,500,000)	(1,300,000)
Net operating profit		20,828,183	15,096,923
Dividend income from investments at FVTPL		32,522,831	27,202,192
Realized gain on investment at FVTPL		20,532,353	-
Finance cost expense	9	(12,801,821)	(9,132,712)
Other income		5,284	-
Profit for the period		61,086,830	33,166,403
Other comprehensive income for the period		-	-
Total comprehensive income for the period		61,086,830	33,166,403

	<u>Notes</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Funds from operations			
Profit for the period		61,086,830	33,166,403
Investment properties depreciation	6	15,481,878	13,423,216
Funds from operations		76,568,708	46,589,619

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 2022

(Amounts in Saudi Riyals)

	<u>Notes</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Net assets value attributable to the Unitholders at the beginning of the period		1,598,624,597	1,591,356,925
Total comprehensive income for the period		61,086,830	33,166,403
Dividends paid during the period	13	(80,697,634)	(42,924,277)
Net assets value attributable to the Unitholders at the end of the period		1,579,013,793	1,581,599,051
Transactions in units for the period are summarized as follows:			
		<u>30 June 2022</u>	<u>30 June 2021</u>
Number of units at the beginning and 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 2022

(Amounts in Saudi Riyals)

	Notes	30 June 2022	30 June 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period		61,086,830	33,166,403
<i>Adjustments to reconcile net income to net cash generated from (used in) operating activities:</i>			
Provision for doubtful debt		1,500,000	1,300,000
Investment properties depreciation	6	15,481,879	13,423,216
Finance cost	9	12,801,821	39,144,414
		90,870,530	87,034,033
<u>CHANGES IN OPERATING ASSETS AND LIABILITIES</u>			
Account receivables		(57,808,640)	(48,145,831)
Inventories		29,200	(200,310)
Prepayment and other receivables		(12,246,279)	(688,255)
Due from Related Parties		6,711,692	(7,505,248)
Properties under development		(13,075,410)	(3,769,283)
Accounts payable		4,248,036	(1,584,000)
Accrued expenses and other liabilities		756,536	(27,911,610)
Hotels employees' post-employment benefits		244,706	93,290
Unearned rental income		2,463,455	7,205,044
Due to related parties		(1,875,584)	8,926,232
Purchase of investment properties	6	-	(302,479)
Net cash generated from operating activities		20,318,242	13,151,583
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments measured at FVTPL		84,566,366	-
Net cash generated from investing activities		84,566,366	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Islamic financing	7	-	33,000,000
Finance cost paid	7	(19,281,005)	(15,005,851)
Dividends paid	13	(80,697,634)	(42,924,275)
Net cash used in financing activities		(99,978,639)	(24,930,126)
Net change in cash and cash equivalents		4,905,969	(11,778,543)
Cash and cash equivalents at the beginning of the period		68,187,474	30,289,408
Cash and cash equivalents at the end of the period		73,093,443	18,510,865

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 2022 (Unaudited)

(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 Capital Market Authority (CMA). The REIT is listed on the Tadawul and units of the REIT traded on the Tadawul in accordance with its rules and regulations. 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 subscribed units of the REIT equal to 171,697,101 unit. 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 primary investment objective of the REIT is to provide its investors with income by investing in 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 on, 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.

These consolidated financial statements include the information of the REIT and its following subsidiaries (Collectively Group) as of 30 June 2022 and 2021.

Name of subsidiary	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Durrat Aldahia Company – Burj Rafal Hotel	Hotel	Saudi Arabia	100%
Durrat Hittin company – Braira Hattin Hotel	Hotel	Saudi Arabia	100%
Rafal Hotel Company	Hotel	Saudi Arabia	100%
Takhtit Al Marafiq	Operating and maintenance	Saudi Arabia	100%
Shati Alkhobar	Hotel	Saudi Arabia	100%

2. REGULATING AUTHORITY

The Fund operates in accordance with REIFR issued by the CMA. The regulations detail requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

RIYAD REIT FUND

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

These condensed interim financial statements have been prepared on a going concern basis and in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Fund’s last annual financial statements for the year ended 31 December 2021.

These condensed interim financial statements do not include all of the information normally required for a complete set of financial statements; however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Fund’s financial position and performance since 31 December 2021.

The results for the six-month period ended 30 June 2022 are not necessarily indicative of the financial statements as at 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3.2 *Basis of measurement*

These condensed interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment at fair value through profit or loss.

3.3 *Use of judgements, estimates and assumptions*

In preparing these condensed interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Fund’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

3.4 *Functional and presentation currency*

These condensed interim financial statements are presented in Saudi Riyals (“SR”), which is the Fund’s functional currency. All financial information presented has been rounded to the nearest SR, unless otherwise indicated.

4. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in annual financial statements, but they do not have a material effect on the Fund's condensed interim financial statements.

RIYAD REIT FUND

(Managed by Riyad Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(Amounts in Saudi Riyals)

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.

6. INVESTMENT PROPERTIES

As at 30 June 2022 (Unaudited)

	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 31 December 2021	829,801,226	1,082,611,284	145,874,217	2,058,286,727
Balance as of 30 June 2022	829,801,226	1,082,611,284	145,874,217	2,058,286,727
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2021	-	(76,599,377)	(28,020,900)	(104,620,277)
Charge for the period	-	(10,649,914)	(4,831,965)	(15,481,879)
Balance as of 30 June 2022	-	(87,249,291)	(32,852,865)	(120,102,156)
Net Book Value:				
As of 30 June 2022,	829,801,226	995,361,993	113,021,352	1,938,184,571

As at 31 December 2021 (Audited)

	<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	62,970,297	101,048,303	31,747,835	195,766,435
Balance as of 31 December 2021	829,801,226	1,082,611,284	145,874,217	2,058,286,727
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2020	-	(55,299,551)	(18,356,971)	(73,656,522)
Charge for the year	-	(21,299,826)	(9,663,929)	(30,963,755)
Balance as of 31 December 2021	-	(76,599,377)	(28,020,900)	(104,620,277)
Net Book Value:				
as of 31 December, 2021	829,801,226	1,006,011,906	117,853,317	1,953,666,450

RIYAD REIT FUND

(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES (CONTINUED)

This represents Thirteen properties: namely:

1. Izdhar Center: represents a 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.
2. Al-Tamayuz 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.
3. 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.
4. Al-Forsan Towers Plaza: represents a commercial property located on King Fahad Road between the Kingdom Center and the Faisaliah Tower. The property is located in Riyadh.
5. 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.
6. The Residence: represents commercial building and hospitality villas consisting of showrooms and office suites located within Hittin district. The property is located in Riyadh.
7. 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.
8. Saudi Electronic University: represents a university located in Alrabi district. The property is located in Riyadh
9. Omnia Center: represents a commercial property located on Saud Al Faisal Road. The property is located in Jeddah.
10. Burj Rafal: Mixed-use property located in King Fahad Road. The property is located in Riyadh
11. Olaya Tower: Commercial property located in Olaya street. The property is located in Riyadh
12. Ascott Cornich Al-Khobar: represents a hotel located in Prince Turki Road. The property is located in Al Khobar
13. Al Raed: It is newly developed and on triple net lease for three years to the Saudi Tourism Authority, Located in Al Raed district on King Abdullah Road in Riyadh.

6-1 The Fund charge 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.

6-2 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.

6-3 The Fund manager periodically reviews its investment properties to determine if there is any indication of impairment in the value of the assets. An impairment loss is recognized for the amount in which the carrying amount of the investment properties exceeds its recoverable amount, which is the higher of the assets' fair value less costs to sell and value in use.

6-4 As of June 30, 2022, according to the periodic cumulative evaluation reports submitted by the valuation experts independent of the Fund, there was a decrease in the value of certain individual real estate investments amounting SAR 28.6 M, however no impairment change was recorded since the amount immaterial.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(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 2022 as follows:

Barcode (Taqeem Certified)

Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8%
Altamiz Center	Income Approach	Capitalization 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	8.5%
Ascott Cornnich Al-Khobar	Income Approach and DCF	Capitalization rate	8%
		Discount rate	8.5%
Al Raed	Income Approach	Capitalization rate	8%

Mumtalkati (Taqeem Certified)

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

RIYAD REIT FUND

(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(Amounts in Saudi Riyals)

6. INVESTMENT PROPERTIES (CONTINUED)

And the measurement data of fair value according to IFRS 13 as at 31 December 2021 as follows:

Barcode (Taqeem Certified)

Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8%
Altamiz Center	Income Approach	Capitalization 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	8.5%
Al Raed	Income Approach	Capitalization rate	8%

Mumtalkati (Taqeem Certified)

Properties	Valuation approach	Key inputs and valuation assumptions	Rate
Izdhar Center	Income Approach	Capitalization rate	8%
Altamiz Center	Income Approach and DCF	Capitalization rate Discount rate	8% 8.5%
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 Discount rate	8% 8.5%
Residence	Income Approach	Capitalization rate	7.5%
Vivienda	Income Approach	Capitalization rate	8%
Saudi Electronic University	Income Approach	Capitalization rate	8%
Omniah Center	Income Approach and DCF	Capitalization rate Discount rate	8% 8.5%
Burj Rafal	Income Approach and DCF	Capitalization rate Discount rate	9% 9.5%
Olaya Tower	Income Approach	Capitalization rate	9%
Ascott Cornich Al-Khobar	Income Approach and DCF	Capitalization rate and discount rate	8%
Al Raed	Income Approach	Capitalization rate	8%

The average fair value measurements of investment properties have been categorized as level 3 fair values-based on inputs to the valuation techniques used.

RIYAD REIT FUND

(Managed by Riyadh Capital)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2022 (Unaudited)

(Amounts in Saudi Riyals)

7. ISLAMIC FINANCING

The Fund obtained a Tawaruq (Short term) and Islamic Murabaha (Long term) facility (Shari'ah compliant), from Riyadh Bank through Riyadh Capital and Riyadh real estate income company respectively. The Tawaruq facility carries a floating special commission rate of SAIBOR+ 1% and matured 2024. The Islamic Murabaha facility carries a floating special commission rate of SAIBOR + 1.4% with a maturity due during 2029.

The Tawaruq and Islamic Murabaha is secured by pledge of the following properties: Omniah Center, Ascott Tahlia, Burj Rafal, Saudi Electronic University, Izdhar Center, and Olaya Tower, Shati, Ascott Cornich Al-Khobar, Residence, Vivienda, Forsan Plaza, Al Raed.

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Current portion	411,810,394	351,803,089
Non-Current portion	949,036,695	1,009,044,403

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 13 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 2022 (Unaudited)</u>	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment properties and property under development	2,296,482,000	2,393,247,000	2,344,864,500
Total	2,296,482,000	2,393,247,000	2,344,864,500
<u>31 December 2021 (Audited)</u>	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment properties and property under development	2,178,535,000	2,105,475,092	2,142,005,046
Total	2,178,535,000	2,105,475,092	2,142,005,046

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

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

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 2022 (Unaudited)	31 December 2021 (Audited)
Estimated fair value of investment and development properties based on the average of the two valuers used	2,344,864,500	2,142,005,046
Less: the carrying value of		
- Investment property	(1,938,184,571)	(1,953,666,450)
- Properties under development	(47,255,994)	(34,180,584)
Estimated fair value in excess of book value	359,423,935	154,158,012
Units in issue (numbers)	171,697,101	171,697,101
Additional value per unit based on fair value	2.09	0.89

Net asset attributable to unitholders:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	1,579,013,793	1,598,624,597
Estimated fair value in excess of book value	359,423,935	154,158,012
Net assets attributable to unitholders based on fair valuation of investment and properties under development	1,938,437,728	1,752,782,609

Net asset attributable to each unit:

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Book value per unit as per the financial statements before fair value adjustment	9.20	9.31
Additional value per unit based on fair value	2.09	0.89
Net assets attributable to each unit based on fair valuation	11.29	10.20

All properties are held in the name of Riyadh Real Estate Income Company (the "Trustee") or companies owned by 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.

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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.

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 2022	30 June 2021	30 June 2022	31 December 2021
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	-	1,559,301	1,809,129
	Current account	-	-	67,292,483	60,666,393
Riyad Capital	Investments account	-	-	-	172,706
Due to Related parties					
Riyad Capital	Fund management fee**	12,783,070	11,086,921	25,979,149	30,456,968
	Transaction fee**	-	-	-	2,121,031
Riyad Bank	Islamic financing	-	-	1,360,847,089	1,360,847,492
	Finance cost	(12,801,821)	(9,132,712)	-	-

* 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.

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10. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Assets and liabilities for which fair value is recognised or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Financial assets consist of cash and cash equivalents, investment at fair value through profit or loss, rental income receivable, accrued rental income and other receivables. Financial liabilities consist of accrued expenses and other liabilities, accrued management fee and borrowings. All financial assets and financial liabilities as at 30 June 2022 and 31 December 2021 were classified under amortized cost category except for investment at fair value through profit or loss which are classified as and measured at fair value.

The estimated fair value of the Fund's financial assets and liabilities is not considered to be significantly different from their carrying values. The value of investment at fair value through profit or loss are based on quoted market prices in active markets and are therefore classified within Level 1 of the fair value hierarchy as at 30 June 2021 and 31 December 2021.

11. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2022, the Fund has outstanding a letter of credit of SR 1.6 million (31 December 2021: SR 1.8 million), being issued by Riyadh Bank, against 100% cash margin, which is included in the interim condensed consolidated statement of financial position under prepayment and other receivables.

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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 2022 and 2021, its total operating income and expenses, and the results for the period then ended, by operating segment, are as follows:

Comprehensive income	For the period ended 30 June 2022 (Unaudited)		
	Rent	Hotel managed by third party	Total
Income from rental	39,625,301	-	39,625,301
Rooms revenue	-	45,581,444	45,581,444
Food and Beverages	-	13,496,888	13,496,888
Other operating departments	-	1,289,751	1,289,751
Rooms cost	-	(9,488,348)	(9,488,348)
Food and Beverages cost	-	(9,327,979)	(9,327,979)
Other operating departments cost	-	(1,847,704)	(1,847,704)
Investment properties depreciation	(15,481,879)	-	(15,481,879)
Gross Profit	24,143,422	39,704,052	63,847,474
Property management expenses	(784,083)	(2,296,063)	(3,080,146)
Fund management fees	(7,741,123)	(5,041,947)	(12,783,070)
Custody fees	(50,000)	-	(50,000)
General and administrative expenses	(3,189,810)	(22,416,265)	(25,606,075)
Provision for doubtful debts	(1,500,000)	-	(1,500,000)
Net operating profit	10,878,406	9,949,777	20,828,183
Dividend income from investments FVTPL	32,522,831	-	32,522,831
Realized gain on investment at FVTPL	20,532,353	-	20,532,353
Finance cost expense	(12,801,821)	-	(12,801,821)
Other income	5,284	-	5,284
Profit for the period	51,137,053	9,949,777	61,086,830
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	51,137,053	9,949,777	61,086,830

RIYAD REIT FUND**(Managed by Riyad Capital)****NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the six-month period ended 30 June 2022 (Unaudited)***(Amounts in Saudi Riyals)***12. OPERATING SEGMENTS (CONTINUED)**

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
Rooms revenue	-	42,456,760	42,456,760
Food and Beverages	-	7,827,682	7,827,682
Other operating departments	-	951,318	951,318
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)
Investment properties depreciation	(13,423,216)	-	(13,423,216)
Gross Profit	17,313,647	36,123,909	53,437,556
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)	(26,321,825)
Net operating profit	1,025,971	14,070,952	15,096,923
Dividend income	27,202,192	-	27,202,192
Finance cost expense	(9,132,712)	-	(9,132,712)
Profit for the period	19,095,451	14,070,952	33,166,403
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	19,095,451	14,070,952	33,166,403

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12. OPERATING SEGMENTS (CONTINUED)

Financial position	As at 30 June 2022 (Unaudited)		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	67,372,483	5,720,960	73,093,443
Account receivables	110,430,802	37,500,946	147,931,748
Inventories	-	1,201,525	1,201,525
Prepayment and other assets	64,374,748	4,141,416	68,516,164
Due from related parties	10,549,539	(4,469,707)	6,079,832
Properties under development	47,255,994	-	47,255,994
Investments carried at fair value through profit or loss (FVTPL)	770,075,297	-	770,075,297
Investment properties	1,938,184,571	-	1,938,184,571
TOTAL ASSETS	3,008,243,434	44,095,140	3,052,338,574
LIABILITIES			
Islamic financing	1,360,847,089	-	1,360,847,089
Accounts payable	-	13,304,558	13,304,558
Unearned rental income	31,975,826	-	31,975,826
Accrued expenses and other liabilities	33,818,474	22,655,919	56,474,393
Due to related parties	2,588,252	4,895,507	7,483,759
Hotels employees' post-employment benefits	-	3,239,156	3,239,156
TOTAL LIABILITIES	1,429,229,641	44,095,140	1,473,324,781
Financial position	As at 31 December 2021 (Audited)		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	60,839,099	7,348,375	68,187,474
Account receivables	34,914,068	56,709,040	91,623,108
Inventories	-	1,230,725	1,230,725
Prepayment and other assets	51,760,140	4,509,746	56,269,885
Due from related parties	10,602,358	2,189,166	12,791,524
Properties under development	34,180,584	-	34,180,584
Investments carried at fair value through profit or loss (FVTPL)	854,641,663	-	854,641,663
Investment properties	1,953,666,450	-	1,953,666,450
TOTAL ASSETS	3,000,604,362	71,987,051	3,072,591,413
LIABILITIES			
Islamic financing	1,360,847,492	-	1,360,847,492
Accounts payable	2,903,949	6,152,573	9,056,522
Unearned rental income	29,512,371	-	29,512,371
Accrued expenses and other liabilities	45,164,157	17,032,481	62,196,638
Due to related parties	2,531,541	6,827,801	9,359,343
Hotels employees' post-employment benefits	-	2,994,450	2,994,450
TOTAL LIABILITIES	1,440,959,510	33,007,306	1,473,966,816

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13. DIVIDEND DISTRIBUTION

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 totaling SAR 42.924 million to its unitholders.

On 15 August 2021, the Fund's Board approved to distribute dividends with regards to the six-month period ended 30 June 2021 amounting to SAR 0.27 per unit totaling SAR 46.358 million to its unitholders.

On 13 February 2022, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2021 amounting to SAR 0.47 per unit totaling SAR 80.698 million to its unitholders.

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

There has been no significant change in the terms and conditions of the Fund as at period ended 30 June 2022.

16. SIGNIFICANT EVENTS

On 3 January 2022, the Fund manager announces Riyadh REIT Fund's board of directors' recommendation to take the necessary measures for increasing the Fund's capital, which requires obtaining approval from respective regulatory authorities and the unitholders' meeting.

17. LAST VALUATION DAY

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

18. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Fund's Board on 22 August 2022 (Corresponding to 24 Muharram 1444H).