

RIYAD REIT
A Real Estate Investment Traded Fund
Closed-Ended Fund
(Managed by Riyad Capital)
Financial Statements
For the year ended December 31, 2016
Together with
Independent Auditor's Report to the Unitholders



Audit – Consultants – Zakat & Tax

Al-Bassam & Al-Nemer

Allied Accountants

(Member firm of PKF International)

AUDITOR'S REPORT

TO THE UNITHOLDERS

RIYAD REIT FUND

Riyadh, Kingdom of Saudi Arabia

Scope of Audit

We have audited the accompanying balance sheet of Riyadh REIT Fund (“the Fund”) managed by Riyadh Capital (the “Fund Manager”) as at 31 December 2016 and the related statements of income, cash flows and changes in net assets attributable to the unitholders for the year then ended and the attached notes which form an integral part of the financial statements. These financial statements are the responsibility of the Fund’s management and have been submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the financial statements.

Unqualified Opinion

In our opinion, the financial statements taken as a whole, present fairly, in all material respects, the financial position of the Fund as at 31 December 2016 and the results of its income and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the circumstances of the Fund.

For and on behalf of

PKF Al Bassam & Al Nemer

Allied Accountant

Ibrahim A. Al-Bassam

Certified Public Accountant

Registration No. 337

23 Jumada Al Awal 1438

20 February 2017



RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyad Capital)
BALANCE SHEET
As at 31 December 2016
(Amounts in SAR)

			2015
<u>ASSETS</u>	<u>Notes</u>	<u>2016</u>	<u>(Restated - Note 18)</u>
Cash and cash equivalents		22,017,540	3,480,491
Held for trading investment	8	-	314,423,564
Rent receivable		2,672,925	243,672
Other Receivable		248,707	-
Advances to sub-contractor		1,507,080	-
Property under development	6	65,653,828	59,655,000
Investment properties	7	412,583,915	128,030,620
Total Assets		504,683,995	505,833,347
<u>LIABILITIES</u>			
Accrued expenses		11,880,119	5,160,416
Unearned rental income		6,185,634	2,293,659
Transaction fee payable		4,102,333	1,272,333
Other payable		611,771	90,000
Total Liabilities		22,779,857	8,816,408
Net assets attributable to the Unitholders		481,904,138	497,016,939
Units in issue (<i>numbers</i>)	9	50,000,000	50,000,000
Book value attributable to each unit		9.64	9.94
Market value attributable to each unit	16	10.01	9.99

The accompanying notes 1 to 21 form an integral part of these financial statements.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed By Riyad Capital)
STATEMENT OF INCOME
(Amounts in SAR)

		For the year ended 31 December 2016	For the period from 9 June 2015 to 31 December 2015 (restated Note 18)
	Note		
<u>Revenue</u>			
Rental Revenue		22,011,900	2,280,871
Gain from held for trading investment	10	1,656,933	1,128,564
Total Revenue		23,668,833	3,409,435
<u>DIRECT EXPENSES</u>			
Property management expenses	12	(1,515,743)	-
Other expenses	13	(671,868)	(777,034)
Total direct expenses		(2,187,611)	(777,034)
Gross operating income		21,481,222	2,632,401
<u>OVERHEADS</u>			
Fund management fee		(6,318,143)	(4,283,680)
Custodian fee		(100,000)	(856,736)
Investment property depreciation		(5,175,880)	(475,046)
Total overheads		(11,594,023)	(5,615,462)
Net income/(loss) for the year/period		9,887,199	(2,983,061)

The accompanying notes 1 to 21 form an integral part of these financial statements.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyad Capital)
STATEMENT OF CASH FLOWS
(Amounts in SAR)

	For the year ended 31 December 2016	For the period from 9 June 2015 to 31 December 2015 (restated Note 16)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the year/period	9,887,199	(2,983,061)
<i>Adjustments to reconcile net income/(loss) to net cash from / (used in) operating activities:</i>		
Realized gain from sale of held for trading investment	(1,656,933)	107,604
Unrealized gain on revaluation of held for trading investment	-	(1,020,960)
Investment property depreciation	5,175,880	475,046
	13,406,146	(3,421,371)
Changes in operating assets and liabilities		
Purchase of held for trading investments	-	(369,500,000)
Proceeds from held for trading investment	316,080,497	55,989,792
Rent receivable	(2,429,253)	(243,672)
Other receivables	(248,707)	-
Advances to sub-contractor	(1,507,080)	-
Investment properties	(289,729,175)	(128,505,666)
Property under development	(38,698,828)	(15,455,000)
Proceeds from disposal of property under development	32,700,000	-
Accrued expenses	6,604,703	5,160,416
Unearned rental income	3,891,975	2,293,659
Transaction fee payable	2,830,000	1,272,333
Other payables	636,771	90,000
Net cash from / (used in) operating activities	43,537,049	(452,319,509)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of units	-	455,800,000
Dividends paid	(25,000,000)	-
Net cash (used in) / from financing activities	(25,000,000)	455,800,000
Net increase in cash and cash equivalents	18,537,049	3,480,491
Cash and cash equivalents at the beginning of the year/period	3,480,491	-
Cash and cash equivalents at end of the year/period	22,017,540	3,480,491
NON-CASH TRANSACTIONS		
Units issued against development property	-	44,200,000

The accompanying notes 1 to 21 form an integral part of these financial statements.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO THE
UNITHOLDERS
(Amounts in SAR)

	For the year ended Note 31 December 2016	For the period from 9 June 2015 to 31 December 2015
Net asset value attributable to the Unitholder at beginning of the year / period	497,016,939	-
Changes from unit transactions		
Issuance of units against cash	-	455,800,000
Issuance of units against in kind capital contribution (property under development)	-	44,200,000
Net change from unit transactions	-	500,000,000
Net income / (loss) for the year / period	9,887,199	(2,983,061)
Dividends paid	(25,000,000)	-
Net asset value attributable to the Unitholder at end of the year / period	481,904,138	497,016,939

The accompanying notes 1 to 21 form an integral part of these financial statements.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. THE FUND AND ITS ACTIVITIES

Riyad REIT Fund ("REIT") is a closed-ended a Shari'ah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the CMA. The REIT is listed on the Tadawul and units of the REIT shall be traded on the Tadawul in accordance with its rules and regulations. The Capital of the REIT is SAR [500,000,000]. The REIT has a term of 99 years, which is extendable in the discretion of the Fund Manager with the prior approval of the CMA.

Riyad Capital (the "Fund Manager"), a Saudi Arabian limited liability company with Saudi Arabian commercial registration no. 1010239234, and an Authorized Person licensed by the CMA under license no. 07070-37, manages the REIT.

The primary investment objective of the REIT is to provide its investors with current income by investing in income-producing real estate assets in Saudi Arabia. The Fund Manager is targeting to distribute to Unitholders an annual cash dividend of no less than 90% of the REIT's Net Profits. It is expected that the amount of such annual dividend will increase over the REIT's term as the number of income-producing properties in the REIT's portfolio increases.

While the REIT will primarily invest in such assets, the REIT may 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.

The REIT has been transformed from "Riyad Real Estate Income Fund" which was a open-ended Shari'ah-compliant Saudi Arabian real estate fund and accordingly, on 8 Safer 1438 corresponding to 8 November 2016, the CMA's Board has issued its resolution approving Riyadh Capital request to register and list Riyadh REIT's units on the Saudi Stock Exchange (Tadawul) as real estate investment traded fund.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA on 19 Jumada II 1427H (corresponding to 15 July 2006) and 23 Muharram 1438 (corresponding to 24 October 2016) respectively, detailing requirements for all type of real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

3. BASIS OF PRESENTATION

3.1 *Statement of compliance*

These financial statements have been presented in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia

These financial statements were approved by the Fund's Board of Directors on 20 February 2017.

3.2 *Basis of measurement*

These financial statements have been prepared under the historical cost convention, except for the measurement of investments held for trading at fair value, using accrual basis of accounting and the going concern concept.

3.3 *Functional and presentation currency*

These financial statements are presented in Saudi Arabian Riyal (SAR) which is the functional currency of the Fund. All financial information presented has been rounded to the nearest SAR.

3.4 *Use of estimates and judgments*

In the ordinary course of business, the preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and affected in future periods.

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.1 *Development property*

Properties acquired, constructed or are in the course of construction and development are classified as development properties. The cost of development properties includes the cost of land and other related expenditures. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed and handed over for its intended use. The Fund's management reviews the carrying values of the development properties at each reporting date.

4.2 *Investment property*

Real estate that are held for capital appreciation and/or rental yields are recorded as investment properties. Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is computed using the straight-line method. The cost less residual value of investment property is depreciated over the shorter of its useful life or the terms of the Fund.

Residual values and useful lives of investment property are subject to review and adjustment, as necessary, when an asset carrying amount exceeds its recoverable amount; it has to be written down immediately to its recoverable amount. Capital gains result from disposal, arises when selling value of an asset exceeds its carrying value, recorded in net basis in the statement of income.

RIYAD REIT
A Real Estate Investment Traded Fund
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NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 *Impairment of assets*

Properties are re-measured for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

4.4 *Held for trading investments*

Investments purchased for trading are initially recognized at cost at trade date and are re-measured at their market values as at each balance sheet date. The unrealized gains or losses from revaluation and realized gains or losses from disposal of held for trading investments are recognized in the Statement of Income.

4.5 *Revenue recognition*

Rental Revenue

Rental revenue on investment properties are recognised on accrual basis.

Gain from held for trading investment

Realized gains and losses on investments held for trading at disposal are determined on average cost basis. The realized gain or losses from investments held for trading represents the difference between the carrying amount of investment at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale price.

Unrealized gains and losses represent the difference between the carrying amount of a financial instrument at the beginning of the year, or the transaction price if it was purchased in the current reporting year, and its carrying amount at the end of the reporting year.

4.6 *Zakat*

Zakat is the obligation of the Unitholders and is not provided for in these financial statements.

4.7 *Cash and cash equivalents*

Cash and cash equivalents for the purpose of cash flows represent cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less, if any, which are available to the Fund without any restrictions.

4.8 *Dividend distribution*

The fund has a policy of distributing and paying at least 90% of net income as dividends.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- MANAGEMENT FEE, OTHER EXPENSES

On semi-annual basis, the Fund Manager charges the Fund, management fee at the rate of 1.2 percent per annum of the Fund's total asset market value (2015: 1.5 percent per annum of the Fund's net asset value). The Fund Manager also recovers from the Fund any other expenses incurred on behalf of the Fund such as custody which is SR 0.1M per year (2015: the fund manager charged the fund 0.3 percent per annum of the fund's total asset under management), property management fee which is not more than 7% of the collected rental income from the relevant property (2015: not applicable), audit and legal fees, board compensation and other similar charges.

- TRANSACTION FEE

Further, the Fund Manager charges the Fund, transaction fee at the rate of 1 percent of the purchase or sale price of each real estate asset purchased or sold by the Fund which is capitalized as investment properties.

6. PROPERTY UNDER DEVELOPMENT

				2016	
<u>Property under development</u>	<u>Erad Tower</u>	<u>Seed Portfolio</u>		<u>Total</u>	
		<u>Project</u>			
	(a)	(b)			
Balance as of December 31, 2015	26,955,000	32,700,000			59,655,000
Development Cost incurred during the year	38,698,828	-			38,698,828
Disposals	-	(32,700,000)			(32,700,000)
Balance as of December 31, 2016	65,653,828	-			65,653,828

				2015	
<u>Property under development</u>	<u>Erad Tower</u>	<u>Seed Portfolio</u>		<u>Total</u>	
		<u>Project</u>			
	(a)	(b)			
Cost of land acquired	23,000,000	32,700,000			55,700,000
Development Cost incurred during the period	3,955,000	-			3,955,000
Balance as of December 31, 2015	26,955,000	32,700,000			59,655,000

- (a) **Erad Tower** represents a project by the Fund for the development of a 13 floor building that will be operated by an international serviced apartment operator "Ascott". The property is located in Al Khobar. From the total amount of cost of land, the Fund has made payment of SAR 11,500,000 in the form of issuance of units.
- (b) **Seed Portfolio Project** represents mainly a project by the Fund for the development of a Retail Complex. The property is located in Riyadh. The Fund had purchased the rights in this property against issuance of units which were held in the name of the Fund's unit holder (the "Legal Owner"). During 2016, the rights in this property have not been transferred in the name of Riyadh Real Estate Income Company (the "Company") and accordingly the property was returned for cash.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

7. INVESTMENT PROPERTY

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance as of December 31, 2015		73,965,666	48,480,000	6,060,000	128,505,666
Additions		166,059,175	116,600,000	7,070,000	289,729,175
Balance as of December 31, 2016		240,024,841	165,080,000	13,130,000	418,234,841
<u>Accumulated Depreciation</u>					
Balance as of December 31, 2015		-	(230,280)	(244,766)	(475,046)
Charge for the year	7.1	-	(3,759,674)	(1,416,206)	(5,175,880)
Balance as of December 31, 2016		-	(3,989,954)	(1,660,972)	(5,650,926)
<u>Book Value :</u>					
as of December 31, 2016		240,024,841	161,090,046	11,469,028	412,583,915
as of December 31, 2015		73,965,666	48,249,720	5,815,234	128,030,620

This represents five 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 Tower 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.

- 7.1** The Fund has the policy of charging depreciation on building and equipment over 30 years and 7 years respectively.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(MANAGED BY RIYAD CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

8. HELD FOR TRADING INVESTMENT

- 8.1 These represent investment in units of open ended mutual fund managed by the Fund Manager. The market value of this investment is summarized as follows:

<u>Description</u>	<u>2016</u>		<u>2015</u>	
	<u>Units</u>	<u>Market Value</u>	<u>Units</u>	<u>Market Value</u>
Commodity Trading Fund (SAR)	-	-	157,507.1191	314,423,564

- 8.2 The cost of the above held for trading investment amounted to SAR 313,402,604 in 2015.

9. UNIT TRANSACTIONS

Transactions in units for the year/period are summarized as follows:

	<i>(In numbers)</i>	
	<u>2016</u>	<u>2015</u>
Units at the beginning of the year/period	50,000,000	-
Units issued during the year/period	-	50,000,000
Units at end of the year/period	50,000,000	50,000,000

10. GAIN FROM HELD FOR TRADING INVESTMENTS

	For the year ended 31 December 2016	For the period from 9 June 2015 to 31 December 2015
Realized gain on sale of held for trading investment	1,656,933	107,604
Unrealized gain on revaluation of held for trading investment	-	1,020,960
	1,656,933	1,128,564

11. TRANSACTION WITH RELATED PARTIES

Related parties of the Fund include "Riyad Capital" being the Fund Manager, Riyadh Bank (being the partner of Riyadh Capital) and other funds managed by the Fund manager.

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's Board of directors.

Riyad Bank acts as a banker of the Fund and as at December 31, 2016 SAR 6,734,734 (2015: SR 3,480,491) were held in current account of the Fund maintained with Riyadh Bank.

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyad Capital)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2016

11. TRANSACTION WITH RELATED PARTIES (Continued)

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

<u>Related Party</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing Balance (payable) / receivable</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Riyad Capital	Fund management fee	(6,318,936)	(4,283,680)	(10,601,823)*	(4,283,680)
	Custodian fee	-	(856,736)	-	(941,942)
	Transaction fee	-	-	(4,102,333)	(1,272,333)
	Cash in investment account	-	-	15,282,806	-

*Fund management fee payable is included in the balance sheet under accrued expenses.

12. PROPERTY MANAGEMENT EXPENSES

	<u>For the year ended 31 December 2016</u>	<u>For the period from 9 June 2015 to 31 December 2015</u>
Property management fee	1,044,854	-
Maintenance	195,007	-
Utilities	149,382	-
Security charges	126,500	-
	<u>1,515,743</u>	<u>-</u>

13. OTHER EXPENSES

	<u>For the year ended 31 December 2016</u>	<u>For the period from 9 June 2015 to 31 December 2015</u>
Legal expenses	372,275	687,034
Appraisals	257,500	60,000
Other	42,093	30,000
	<u>671,868</u>	<u>777,034</u>

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss.

The Fund is exposed to credit risk on its balance with bank and receivables. Bank balance is kept with Riyad Bank which has sound financial standing.

Special commission rate risk

Special commission rate risk arises from the possibility that changes in market commission rates will affect future profitability or the fair value of the financial instruments.

The Fund is subject to special commission rate risk on its held for trading investments as the investment in the investee Fund is in Sukuk bonds and murabaha placements. To manage this risk, the Fund Manager monitors the changes in commission rates on a regular basis.

RIYAD REIT
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES (Continued)

Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulties in arranging funds to meet commitments associated with its financial liabilities.

The Fund Manager monitors the liquidity requirements on a regular basis with a view to ensuring that sufficient funds are available to meet any commitments as they arise.

Market Risk

The Fund 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 of the Kingdom, interest rates, demand-supply, availability of financing, investor sentiment, liquidity, legal, foreign exchange rate and regulatory environment.

15. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction.

Financial instruments comprise of financial asset and financial liability. The Fund's financial asset consists of cash at bank, held for trading investments and other receivables and financial liability consists of accrued expenses and other payables.

For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of other financial assets and liabilities is not materially different from their carrying values.

RIYAD REIT
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

16. 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 generally accepted accounting standards in the Kingdom of Saudi Arabia, development and investment properties are carried at cost less 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 i.e. Barcode Company Limited and Colliers International. As of December 31, the valuation of the investment and development properties are as follows:

<u>2016</u>	<u>Barcode Company Limited</u>	<u>Colliers International</u>	<u>Average</u>
Investment property	433,169,206	418,610,000	425,889,603
Development property	69,864,000	71,590,000	70,727,000
Total	503,033,206	490,200,000	496,616,603

<u>2015</u>	<u>Barcode Company Limited</u>	<u>Colliers International</u>	<u>Average</u>
Investment property	126,403,976	127,800,000	127,101,988
Development property	61,989,400	63,700,000	62,844,700
Total	188,393,376	191,500,000	189,946,688

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>2016</u>	<u>2015</u> (restated)
Estimated fair value of investment and development properties based on the average of the two selected appraisals	496,616,603	189,946,688
Less: the carrying value of		
- investment property	(412,583,915)	(128,030,620)
- development property	(65,653,828)	(59,655,000)
Estimated fair value in excess of book value	18,378,860	2,261,068
Units in issue (numbers)	50,000,000	50,000,000
Additional value per unit based on fair value	0.37	0.05

RIYAD REIT
A Real Estate Investment Traded Fund
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

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

Net asset attributable to unitholders:

	<u>2016</u>	<u>2015</u> (restated)
Net assets attributable to unitholders as per the financial statements before fair value adjustment	481,904,138	497,016,939
Estimated fair value in excess of book value	18,378,860	2,261,068
Net assets attributable to unitholders based on fair valuation of investment and development properties	500,282,998	499,278,007

Net asset attributable to each unit:

	<u>2016</u>	<u>2015</u> (restated)
Book value attributable to each unit as per the financial statements before fair value adjustment	9.64	9.94
Additional value per unit based on fair value	0.37	0.05
Market value attributable to each unit	10.01	9.99

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

17. LAST VALUATION DAY

The last valuation day of the year/ period was 31 December 2016 and 31 December 2015 respectively.

18. COMPARATIVE FIGURES (RESTATEMENT)

The financials for the prior year were restated due to reassessment of calculation of revenue, unearned income, accrued income and depreciation. Accordingly, the effects were as follows:

A. Income Statement

	<u>Before Adjustment</u>	<u>Adjustment</u>	<u>After Adjustment</u>
Revenue	2,794,725	(513,854)	2,280,871
Depreciation	(470,343)	(4,703)	(475,046)
Net loss	(2,464,504)	(518,557)	(2,983,061)

B. Balance Sheet

	<u>Before Adjustment</u>	<u>Adjustment</u>	<u>After Adjustment</u>
Accrued Income	94,130	149,542	243,672
Investment Property	128,035,323	(4,703)	128,030,620
Unearned Income	1,630,263	663,396	2,293,659
Net assets attributable to unitholders	497,535,496	(518,557)	497,016,939

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyad Capital)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

19. DIVIDENDS DISTRIBUTION

During the third quarter of 2016, the fund manager has distributed dividends to the related unitholders and this was carried out according to the initial terms and conditions of the fund which was 5% of the capital.

20. CAPITAL COMMITMENTS

As at 31 December 2016, the Fund has outstanding capital commitments regarding “Ascott Al Khobar” (Property under development) amounted to SR 106 million (31 December 2015: SR 145 million). The above outstanding balance is expected to be incurred in 2017 and 2018.

21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Fund’s Board of Directors on 20 February 2017 corresponding to 23 Jumada Al-Awwal 1438H.