

RIYAD REIT
A Real Estate Investment Traded Fund
Closed-Ended Fund
(Managed by Riyad Capital)
Interim Condensed Financial Statements (Un-Audited)
For the period ended 30 June 2017
Together with
Review Report to the Unitholder

INDEPENDENT AUDITOR'S REVIEW REPORT

THE UNITHOLDERS
RIYAD REIT FUND
KINGDOM OF SAUDI ARABIA

Introduction:

We have reviewed the accompanying interim balance sheet of Riyadh REIT Fund ("the Fund") managed by Riyadh Capital (the "Fund Manager") as at 30 June 2017 and the related interim statements of income, cash flows and changes in net assets attributable to Unitholders for the six month period then ended and the accompanying notes which form an integral part of these interim condensed financial statements. The Fund's management is responsible for the preparation and fair presentation of these interim condensed financial in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

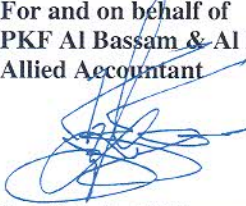
Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of these 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 and consequently, it 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 financial statements are not prepared, in all material respects, in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

For and on behalf of
PKF Al Bassam & Al Nemer
Allied Accountant


Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337



2 August 2017
10 Dhual Qadah 1438

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyad Capital)
INTERIM BALANCE SHEET (Un-Audited)
As at 30 June 2017
(Amounts in SAR)

<u>ASSETS</u>	Notes	30 June 2017	30 June 2016
Cash and cash equivalents		2,102,263	15,152,914
Held for trading investment		-	137,650,221
Rent receivable		6,388,928	843,712
Other receivable		692,916	280,533
Advances to sub-contractor		1,507,080	925,633
Property under development	6	74,172,680	85,555,000
Investment properties	7	588,675,884	276,054,066
Total Assets		673,539,751	516,462,079
 <u>LIABILITIES</u>			
Tawaruq facility	12	114,977,000	-
Accrued expenses		16,163,882	8,340,182
Unearned rental income		9,304,727	4,401,255
Transaction fee payable		4,512,333	2,752,333
Dividend Payable	13	13,000,000	-
Other payable		37,288,839	367,350
Total Liabilities		195,246,781	15,861,120
Net assets attributable to the Unitholders		478,292,970	500,600,959
 Units in issue (numbers)		50,000,000	50,000,000
 Book value attributable to each unit		9.57	10.01
Market value attributable to each unit	11	10.23	10.34

Adel Alateeq



Abdulaziz Almosa
a.bakal

Dina Alwadh



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

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

	Note	For the period ended 30 June 2017	For the period ended 30 June 2016
<u>Revenue</u>			
Rental Revenue		16,830,258	7,843,011
Gain from held for trading investment	8	74,695	1,226,657
Total Revenue		16,904,953	9,069,668
<u>DIRECT EXPENSES</u>			
Property management fees and expenses		(670,745)	-
Other expenses		(274,817)	(697,052)
Total direct expenses		(945,562)	(697,052)
Gross operating income		15,959,391	8,372,616
<u>OVERHEADS</u>			
Fund management fee		(2,898,681)	(3,179,766)
Custodian fee		(50,000)	(50,000)
Investment property depreciation		(3,479,980)	(1,978,554)
Total overheads		(6,428,661)	(5,208,320)
Net income for the period		9,530,730	3,164,296

Adel Abateeq



Abdulreza almosa
on behalf


Dina Alamadh




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

	For the period ended 30 June 2017	For the period ended 30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	9,530,730	3,164,296
<i>Adjustments to reconcile net income to net cash (used in) / from operating activities:</i>		
Realized gain from sale of held for trading investment	(74,695)	(306,146)
Unrealized gain on revaluation of held for trading investment	-	(920,511)
Prior year adjustment	(141,898)	98,833
Investment property depreciation	3,479,980	1,978,554
	<u>12,794,117</u>	<u>4,015,026</u>
Changes in operating assets and liabilities		
Purchase of held for trading investments	(20,000,000)	-
Proceeds from held for trading investment	20,074,695	178,000,000
Rent receivable	(3,716,003)	(600,040)
Other receivables	(444,209)	(280,533)
Advances to sub-contractor	-	(925,633)
Investment properties	(179,571,949)	(150,002,000)
Property under development	(8,518,852)	(25,900,000)
Tawaruq facility	114,977,000	-
Accrued expenses	40,903,763	3,179,766
Unearned rental income	3,119,093	2,428,487
Transaction fee payable	410,000	1,480,000
Other payables	57,068	277,350
Net cash (used in) / from operating activities	<u>(19,915,277)</u>	<u>11,672,423</u>
Net (decrease) / increase in cash and cash equivalents	(19,915,277)	11,672,423
Cash and cash equivalents at the beginning of the period	22,017,540	3,480,491
Cash and cash equivalents at end of the period	<u>2,102,263</u>	<u>15,152,914</u>

Adel Alateeq


Abdulaziz Almos^{on} Khamel
Dina Alomadh


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

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

	Note	For the period ended 30 June 2017	For the period ended 30 June 2016
Net asset value attributable to the Unitholder at beginning of the period		481,904,138	497,535,496
Net income for the period		9,530,730	3,164,296
Prior year adjustment		(141,898)	(98,833)
Dividends	13	(13,000,000)	-
Net asset value attributable to the Unitholder at end of the period		478,292,970	500,600,959

Azel Alakeq



Abdulaziz almosa
on behalf

Dina Alawadh



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

RIYAD REIT
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

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 closed-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 INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

3. BASIS OF PRESENTATION

3.1 *Statement of compliance*

These interim condensed financial statements have been prepared in accordance with generally accepted accounting standards applicable in the Kingdom of Saudi Arabia issued by the Saudi Organization of Certified Public Accountants.

These interim condensed financial statements do not include all of the information required for a full set of financial statements and should be read in conjunction with the annual financial statements of the Fund for the year ended 31 December 2016.

These interim condensed financial statements does not necessarily constitute an indication of the year-end financial statements.

These interim condensed financial statements were approved by the Fund's Board of Directors on 9 Dhul Qaedah 1438 corresponding to 1 August 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 AND RISK MANAGEMENT POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed the annual financial statements of the Fund for the year ended 31 December 2016.

Risk management policies are consistent with those used and disclosed in the annual financial statements of the Fund for the year ended 31 December 2016.

RIYAD REIT
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

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. 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, property management fee which is not more than 7% of the collected rental income from the relevant property, 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

30 June 2017			
<u>Property under development</u>	<u>Erad Tower</u>	<u>Seed Portfolio</u>	<u>Total</u>
	(a)	Project (b)	
Balance as of 31 December 2016	65,653,828	-	65,653,828
Development Cost incurred during the period	8,518,852	-	8,518,852
Balance as of 30 June 2017	74,172,680	-	74,172,680

30 June 2016			
<u>Property under development</u>	<u>Erad Tower</u>	<u>Seed Portfolio</u>	<u>Total</u>
	(a)	Project (b)	
Cost of land acquired	26,955,000	32,700,000	59,655,000
Development Cost incurred during the period	25,900,000	-	25,900,000
Balance as of 30 June 2016	52,855,000	32,700,000	85,555,000

- (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
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

7. INVESTMENT PROPERTY

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
<u>Cost</u>					
Balance as of 31 December 2016		240,024,841	165,080,000	13,130,000	418,234,841
Additions		<u>95,631,122</u>	<u>69,991,268</u>	<u>13,949,559</u>	<u>179,571,949</u>
Balance as of 30 June 2017		<u>335,655,963</u>	<u>235,071,268</u>	<u>27,079,559</u>	<u>597,806,790</u>
<u>Accumulated Depreciation</u>					
Balance as of 31 December 2016		-	(3,989,954)	(1,660,972)	(5,650,926)
Charge for the year	7.1	<u>-</u>	<u>(2,945,753)</u>	<u>(534,227)</u>	<u>(3,479,980)</u>
Balance as of 30 June 2017		<u>-</u>	<u>(6,935,707)</u>	<u>(2,195,199)</u>	<u>(9,130,906)</u>
Book Value :					
as of 30 June 2017		<u>335,655,963</u>	<u>228,135,561</u>	<u>24,884,360</u>	<u>588,675,884</u>
as of 31 December 2016		<u>240,024,841</u>	<u>161,090,046</u>	<u>11,469,028</u>	<u>412,583,915</u>

This represents seven 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.
- 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.

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

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

8. GAIN FROM HELD FOR TRADING INVESTMENTS

	For the period ended 30 June 2017	For the period ended 30 June 2016
Realized gain on sale of held for trading investment	74,695	306,146
Unrealized gain on revaluation of held for trading investment	-	920,511
	74,695	1,226,657

9. TRANSACTION WITH RELATED PARTIES

Related parties of the Fund include "Riyad Capital" being the Fund Manager, Riyadh Bank (being the partner of Riyadh Capital), the Custodian 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 30 June 2017 SAR 1,946,063 (30 June 2016: SR15,152,914) were held in current account of the Fund maintained with Riyadh Bank.

Riyad Capital, as at 30 June 2017 the amount held therewith, in investments account, was SAR 156,200 (2016: nil).

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</u>	
		2017	2016	2017	2016
Riyad Capital	Fund management fee*	2,898,681	3,179,766	14,239,735	3,179,766
	Transaction fee	1,795,719	1,272,333	4,512,333	2,752,333
Kasb Capital	Custodian fee	50,000	50,000	50,000	50,000
Riyad Bank	Tawaruq facility	-	-	114,977,000	-
Riyad Bank	Commission expenses	101,753	-	101,753	-

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

10. 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
A Real Estate Investment Traded Fund
Closed Ended Fund
(Managed by Riyadh Capital)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

11. 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 three selected appraisers (two for each property) i.e. Barcode Company Limited, Colliers International and century 21. As of 30 June , the valuation of the investment and development properties are as follows:

30 June 2017	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment property	618,246,394	618,495,439	618,370,917
Development property	79,423,559	75,804,359	77,613,959
Total	<u>697,669,953</u>	<u>694,299,798</u>	<u>695,984,876</u>

30 June 2016	<u>First Appraiser</u>	<u>Second Appraisers</u>	<u>Average</u>
Investment property	296,417,776	282,500,000	289,458,888
Development property	87,889,400	89,600,000	88,744,700
Total	<u>384,307,176</u>	<u>372,100,000</u>	<u>378,203,588</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 2017</u>	<u>30 June 2016</u>
Estimated fair value of investment and development properties based on the average of the two selected appraisals	695,984,876	378,203,588
Less: the carrying value of		
- investment property	588,675,884	276,054,066
- development property	74,172,680	85,555,000
Estimated fair value in excess of book value	33,136,312	16,594,522
Units in issue (numbers)	50,000,000	50,000,000
Additional value per unit based on fair value	0.66	0.33

RIYAD REIT
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Closed Ended Fund
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT (Un-Audited)
For the six month period ended 30 June 2017

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

Net asset attributable to unitholders:

	<u>30 June 2017</u>	<u>30 June 2016</u>
Net assets attributable to unitholders as per the financial statements before fair value adjustment	478,292,970	500,600,959
Estimated fair value in excess of book value	33,136,312	16,594,522
Net assets attributable to unitholders based on fair valuation of investment and development properties	511,429,282	517,195,481

Net asset attributable to each unit:

	<u>30 June 2017</u>	<u>30 June 2016</u>
Book value attributable to each unit as per the financial statements before fair value adjustment	9.57	10.01
Additional value per unit based on fair value	0.66	0.33
Market value attributable to each unit	10.23	10.34

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.

12. TAWARUQ FACILITY

On 9 May 2017 the Fund has obtained a Tawaruq facility (Shari'ah compliant) of SR 114,977,000 from Riyadh Bank (related party) through Riyadh Capital. The facility carries a fixed special commission rate of 3%. The facility is payable in one balloon payment within 180 days following the above mentioned date.

13. DIVIDENDS DISTRIBUTION

On 21 May 2017, the Fund's Board of Directors has approved a dividend distribution with regards the first of half of the financial year 2017 amounting to SR 13 million for a total number of entitled units of 50 million each of which is entitled to SR 0.26 which represents 2.6 % of the par value thereof.

14. LAST VALUATION DAY

The last valuation day of the period was 30 June 2017.

15. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Fund's Board of Directors on 1 August 2017 corresponding to 9 Dhual Qadah 1438H.