الرياض ريت
riyad reit

2019 ANNUAL REPORT

الرياض المالية
riyad capital

بسم الله الرحمن الرحيم

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2019 IN BRIEF

January

February

March

Dividend distribution of SAR 0.28 per unit for the second half of 2018.

Signed SAR 600 million shariah-compliant facility agreement with Riyad Bank.

Acquisition of newly developed and fully leased office tower in Riyadh with a cost of SAR 65 million and initial acquistion yield of 10%.

April

Signed 20-year management and operation agreement with Hilton. Operation will start after the completion of renovations of Alfursan Tower.

Acquisition of 40% stake in trophy office property in Washington D.C. The property is 100% occupied and leased for 13 years.

May

June

July

August

Dividend distribution of SAR 0.24 per unit for the first half of 2019.

September

Change in Board of Directors membership.

Riyad REIT inclusion in FTSE EPRA Nareit Global Emerging Index

October

November

December

Announcement of investment of SAR 350.8 million in a diversified U.S. real estate portfolio consisting of three Class A office properties.

Announcement of the soft opening of Ascott Corniche Alkhobar.


أسكوت

About the REIT Manager

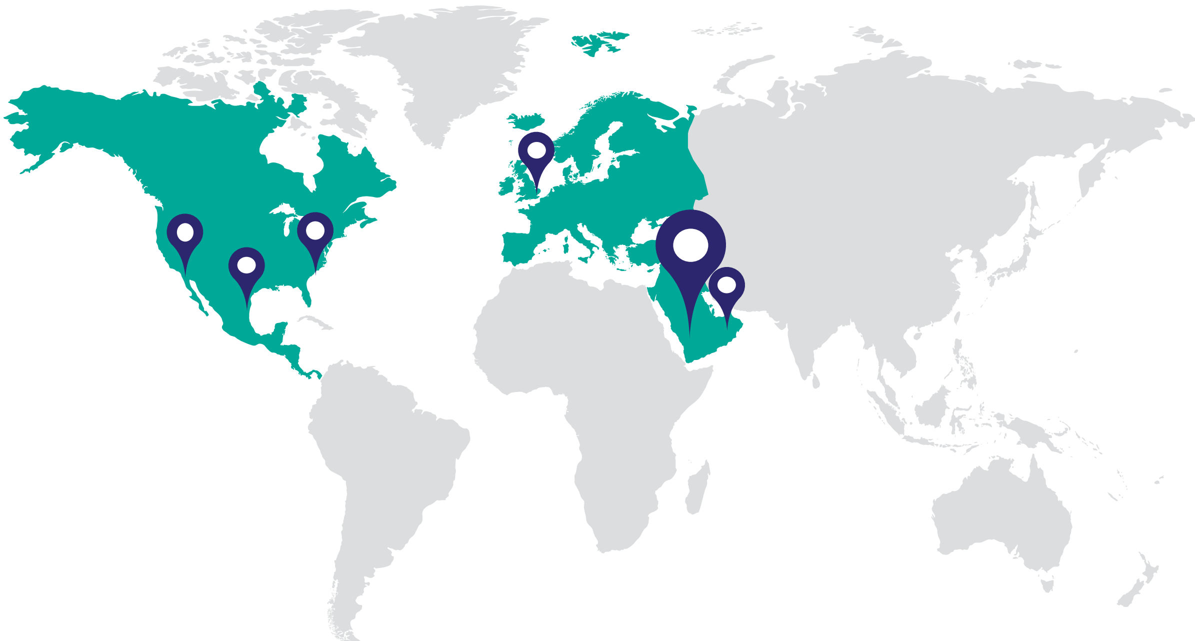
- A **leading** financial institution and asset manager in Saudi Arabia, licensed by Saudi Arabia's Capital Market Authority ("CMA") and authorized to engage in all lines of the capital activities including dealing, managing, arranging, advisory and custody
- Riyad Capital enjoys the full support and the benefits of **being part of Riyad Bank one of the largest financial institution in Saudi Arabia** with strong and growing corporate and retail banking service
- **Riyad Capital's** real estate team is comprised of people and experiences in multiple fields within the real estate sector covering investment, development, asset management, property management, and finance. This allows Riyad Capital to implement differentiated strategies in the real estate investment arena with a fundamental long-term view of maximizing cash flow and value of property assets.

+200 Professionals

International Presence

Experienced local/international seniors managers

AuM SAR 50 Bn



*Includes offices of RB branches & Real Estate international investments.

Executive Summary

Riyad REIT is a leading Real Estate Investment Traded Fund (REIT) with a diversified business model offering investors exposure to stable income and value-oriented opportunities from a broad property portfolio that is comprised of local and international assets.

The key objective of Riyad REIT is to expand and diversify its asset base and provide sustainable cash distribution with growth potential for unitholders through investing predominantly in income-producing of achieving operational and rental income.

The fund aims to achieve its distribution growth by (a) reinvesting the reserved income into viable real estate assets: after distributing a minimum of 90% of the fund's net annual profits during the fund term and within 90 days of the Gregorian calendar – excluding the capital profits resulting from the sale of real estate assets, which are reinvested in additional assets in favor of unit owners (b) the potential increase in the capital value resulting from the increase in revenue (c) effectively utilizing the real estate properties that are not being used.

Riyad REIT business activities are focused on generating durable diversified cash flows as well as value optimization of the asset portfolio in order to generate strong overall returns (income and longer-term value) for unitholders. During 2019, the main developments of the Fund ranged from the execution of a 20-year agreement between Marriott International and Burj Rafal Hotel (Riyadh), investing in international portfolios comprising of four properties with credit-strong tenants in "gateway" US cities, the completion of the Ascott Corniche Al Khobar development project, and the execution of a 20-year management agreement with Hilton for the Fursan Plaza property. Riyad Capital, as the Fund Manager of Riyad REIT, employs its in-house expertise in multiple real estate disciplines to manage the diversified real estate portfolio..

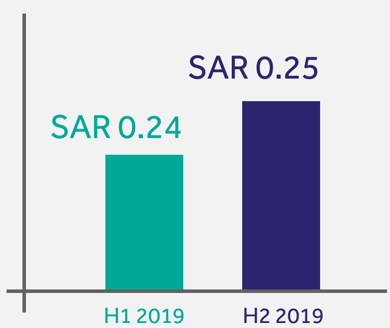
Although Riyad REIT's primary focus is on the continuous enhancement of net operational income through active management and efficient operations, the Fund also seeks to expand the asset base through strategic acquisitions. The Fund's forward-looking approach to investments centers on diversification and assets that are conducive to changing trends being witnessed in Saudi Arabia. Local assets that support or benefit from Vision 2030 initiatives (tourism, leisure, entertainment, healthcare, education, etc.) will be prioritized in acquisition pipelines.

The Fund continues to generate additional portfolio value through active asset management, by maintaining close relationships with multiple tenants and remaining responsive to their needs, establishing connections with strategic partners in the real estate sector, and proactively addressing operational risks and executing on organic growth opportunities.

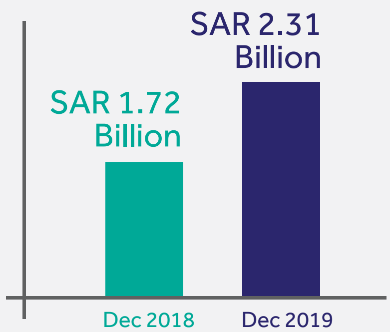
Despite the volatile macro environment stepping into 2020, Riyad REIT is well positioned to navigate the challenges and position the portfolio to adapt to various economic conditions.

As of the date of this report, Riyad REIT has invested in eighteen (18) properties, including one development and two value-add projects. The acquired portfolio of income generating assets are located in the Kingdom of Saudi Arabia and internationally in the United States of America. Riyad REIT's diversified approach has positioned the portfolio to take advantage of a broad array of tenancy, geographic locations, and industry mix. In addition, Riyad REIT has exposure to both rental income and operational income, limiting exposure to large tenants that could disrupt cash flows.

Dividend Distribution



Fund Size



Fund Performance

	December 2019	December 2018	December 2017	December 2016
Net Asset Value	**1,658,025,000**	1,641,962,795	524,728,806	500,282,998
Net Asset Value Per Unit	**9.66**	9.94	10.50	10.01
Issued Unit	**171,697,101**	171,697,101	50,000,000	50,000,000
Distributed Income	**92,864,569**	77,209,437	28,000,000	25,000,000
Distributed Income Per Unit	**0.54**	0.45	0.56	0.5
Expenses Ratio (Fund Level)	**1.17%**	0.75%	1.47%	1.69%
Annual Return	**181,201,243**	149,113,651	38,521,973	23,668,833
Highest NAV	**9.84**	10.25	10.49	10.05
Lowest NAV	**9.66**	9.56	10.01	10.01

all numbers are in SAR

	1 year	3 years	Inception
Cumlative return	181,201,243	368,836,868	392,505,701

Fund Fees and Commission

	December 2019	December 2018	December 2017	December 2016
Fund Management Fees	**18,604,840**	11,934,459	7,181,616	6,318,936
Custodian Fees	**100,000**	100,000	100,000	100,000
Transaction Fees	**650,000**	9,825,960	1,776,207	-
Property Management Fee	**1,189,877**	1,860,395	714,102	1,515,743
Maintenance, Utilities, Security Charge	**1,266,797**	1,401,972	968,886	671,876
Legal Expenses	**634,871**	331,842	406,887	372,275
External Audit Fees	**73,524**	30,000	30,000	30,000
Other	**123,087**	85,041	267,925	216,606
Total Fees and Expenses	**53,579,718**	43,569,253	28,409,516	15,063,079

all numbers are in SAR

Fund Manager did not receive any special commission during the financial year 2019

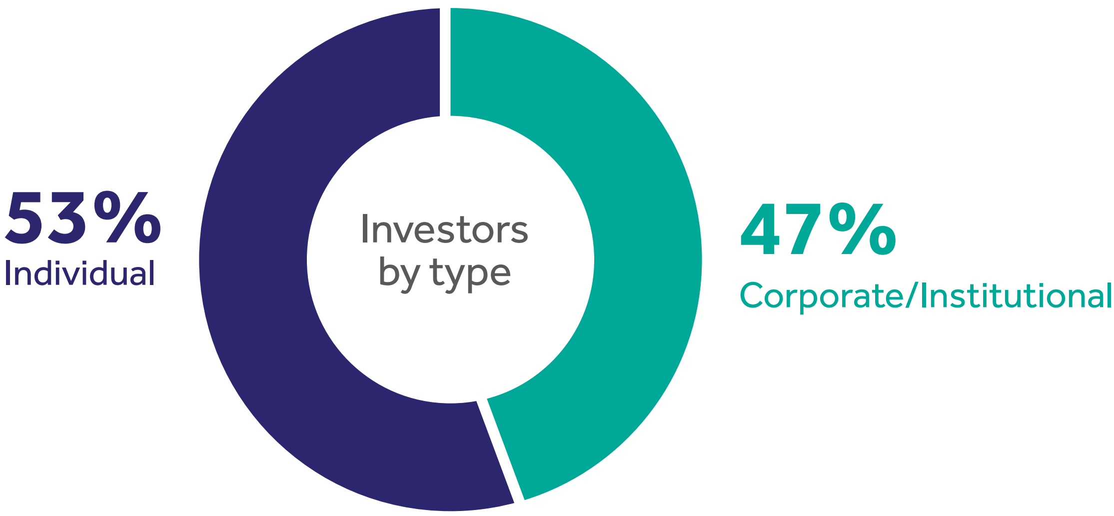
Summary of Board Meetings

1. Update on the portfolio of properties currently operating and under-development.
2. Under-development property and the expected completion date
3. Reviewing current financial data of all properties compared to the time of acquisition
4. Briefed on the performance and budget for Burj Rafal provided to the hotel by the operator and compared to the fund's strategic goals at the time of acquisition of the property
5. The approval of a hotel operator for Burj Rafal
6. The approval of appointing portfolio evaluators
7. Approving external auditor

Share Price and Shareholder Information

On 13th of November 2016, Riyad REIT listed its units on Tadawul Stock Exchange with paid-up capital of SAR 1,633,000,010.

1. Number of Units: **171,697,101**
2. Paid Capital: **SAR 1.633 billion**
3. Share price (as 31st of December): **SAR 8.71**
4. NAV per unit: **SAR 9.66**
5. Fund Size: **SAR 2.31 billion**



Portfolio Highlights Snapshot of RIYAD REIT

Rental and Operating Properties **16**

Value-add and development projects **2**

Portfolio assets **18**

Total Acquisition costs
SAR **2,280** million

Development and Value-add projects
SAR **60** million

Net leasable area*
309,503 m2

Number of tenants
148 tenants

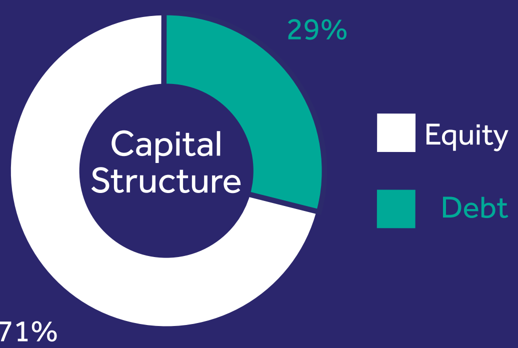
WAULT
10.3 years

Portfolio Occupancy (of Rental Properties **)
94.60%

Total Revenue
SAR **181** million

Portfolio Vacancy
(of Rental Properties***)
5.4%

Fund size
SAR **2.3** billion



*Includes allocated net leasable area on international portfolio
** Percentage of Leased Area to Net Leasable Area
*** Percentage of Unleased Area to Net Leasable Area

Letter from
Riyad REIT Fund Chairman

2019 marks the implementation of our strategy which combines three key elements: income, diversification, and value-creation. Our emphasis has always been on incorporating a strategy that lends to both generating diversified cash flows to investors as well has enhancing long-term value of our assets. A REIT, we believe, can not limit investments to purely cash flow generation without evaluating the upside potential of assets. REITs are long-term investment vehicles, and repositioning and development opportunities will be a fundamental path to creating value in the long run.

Adel Ibrahim Al Ateeq
Chairman of Riyad REIT

On the income side, we pursued geographic diversification – looking to generate cash flow streams from strong international markets. During the year we invested in portfolios comprising of four (4) US properties with credit-strong tenants in "gateway" geographic markets like the Washington DC metro area, San Francisco, and the Dallas metro area. Our international exposure gives investors access to the largest economy and largest real estate market in the world.

The investments we made are impressive, from a trophy asset on Pennsylvania Avenue in close proximity to the White House in Washington DC, to a San Francisco asset leased to the city of San Francisco, to headquarter and regional headquarter properties leased to Fortune 500 companies.

Our US investments are expected to contribute 20% to 25% of our total revenue in 2020 – allowing for stronger levels of stability to our overall cash flows.

On the value-creation side the successful execution of a 20-year agreement between Marriott International and Burj Rafal Hotel (Riyadh) deservedly holds one of our strongest accomplishments. The combination of our flagship hospitality asset with the world's largest travel company's luxury brand – the JW Marriott – is expected to yield significant benefits to our unitholders. Riyadh – a primary business city in the region – is a key destination to business travelers.

Our affiliation with Marriott, and their Bonvoy Loyalty Program with over 141 million members, is expected to strategically position the property in a business-oriented city. Future plans for the immediate area, including the opening of KAFD, the Avenues Mall, development of several HQs of banks, and the Capital Gate Project, further strengthens the forthcoming prospects of the Burj Rafal asset. The Capital Gate Project (which is not a Riyad REIT development) should bring direct benefits to the launch of the JW Marriott-Riyadh with the opening of office space, entertainment, and F&B options – establishing a true mixed-use destination.

Our affiliation with Marriott International on our Flagship hospitality asset -BurjRafal- will enhance cashflows and value

30	134	7,300+	141+
BRANDS	COUNTRIES & TERRITORIES	PROPERTIES	MILLION LOYALTY MEMBERS

Letter from
Riyad REIT Fund Chairman:

The completion of our development project – the Ascott Corniche Al Khobar – is another value-play milestone accomplished in 2019. The opening of Ascott in December 2019 marks the first luxury serviced apartment product in the Eastern Province. The serviced apartment product is a flexible accommodation option that is very conducive to a regional business and leisure hub like Saudi Arabia. This is especially true for the Eastern Province, which is home to Aramco – the largest company in the world. We noted a gap in internationally-branded serviced apartments in Saudi Arabia and believe the market holds significant growth potential for such a product. Ascott's transition from a development project to an operating property is expected to enhance our cash flows as the property stabilizes.

The execution of a 20-year management agreement with Hilton for our Fursan Plaza property reflects another affiliation between one of our properties and one of the largest hospitality companies in the world with over 5,700 properties. The combination of Fursan Plaza's location on King Fahad with Hilton's operating strengths will position the asset among the best 4-star properties along King Fahad's CBD. The Fursan Plaza repositioning project is anticipated to take 18 months and generate strong value creation for our investors.

Of course 2019 also offered challenges to some areas of our portfolio. Our domestic income-producing portfolio maintained a 90% overall occupancy, similar to last year, with some assets gaining occupancy while others were faced with more vacant space. This clearly illustrates the benefits of having a diversified portfolio with a diverse tenant base. Two of our assets – Tamayiz (representing 2% of our portfolios net leasable area) and Alshatea (representing 4.2%) – exhibit longer-term pressures due to oversupply in the immediate area and a lower rental rate environment. Our objective with these assets is to adjust rental pricing to new market realities in order to boost occupancy levels, and subsequently, cash flows.Some assets faced shorter term vacancy due to uncontrollable factors such as road work that was directly adjacent to the property – impacting mostly the retail areas of these assets. The portfolio countered these higher vacancy levels through stability on properties under single tenant leases such as Saudi Electronic University (represents 5.7% of portfolio net leasable area), Ascott-Tahlia (4.6%), Vivienda (1.4%), and the acquisition of Olaya Tower (leased to Thiqah under a longer term, single tenant lease). When combined with our international portfolio, which are predominantly 100% occupied by credit-rated tenants, our income-producing portfolio's overall occupancy is 94.6%.

Our 2019 accomplishments, combined with our already diversified asset and tenant base is expected to deliver durable cash flows and value creation. However, it is important to note that although our focus is always on returns to unitholders, there are a lot of activities that goes into generating these returns. Leasing activities, tenant relationship, property management, operations, and deal origination are all major components of our business. These elements are the cornerstone of running a large property portfolio comprised of domestic rental properties, operating properties, international properties and development/ repositioning projects. We take pride in Riyad Capital's in-house expertise in multiple real estate disciplines in the investment and asset management fields. Real assets require hands on experience with direct ownership of tasks. Core functions should not be outsourced and require dedicated personnel.

As we look towards 2020, we should remain focused on opportunities and challenges that the new year will bring. We look to continue positioning our portfolio to adapt to future trends. In our forward looking approach to investment we seek to acquire, reposition, and develop what we deem – "Vision 2030 Properties" – properties expected to support and benefit from fundamental shifts in tourism, business activity, leisure and entertainment, education, and healthcare.

Adel Ibrahim Al Ateeq
Chairman of Riyad REIT

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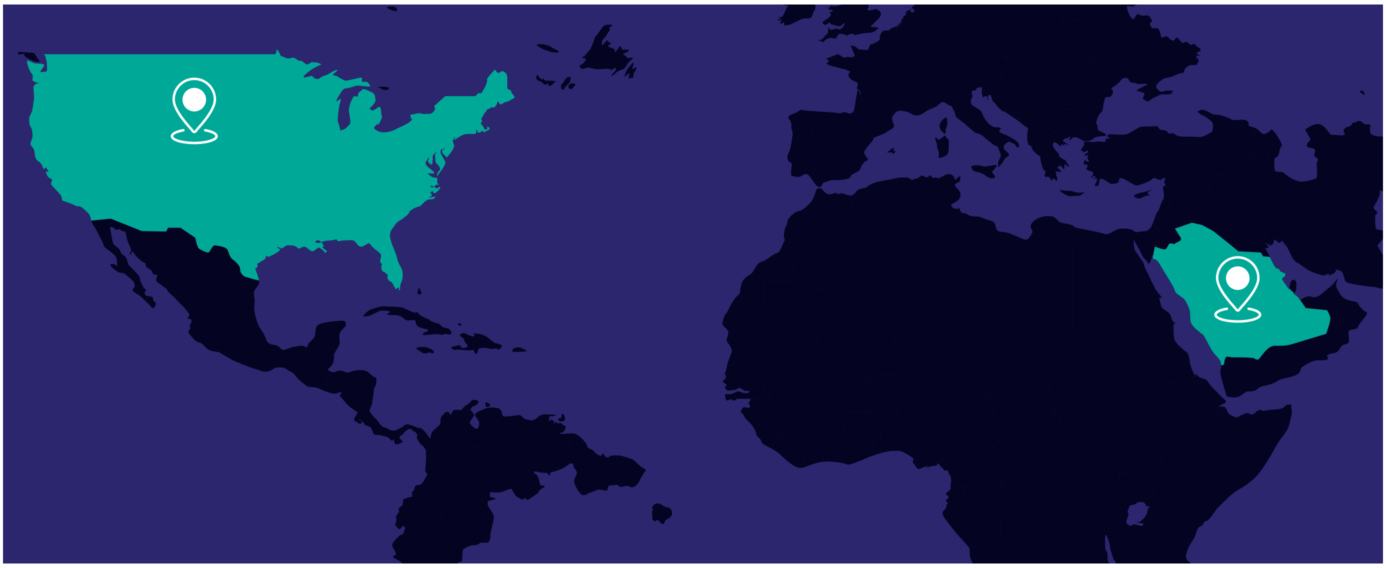
Portfolio's Geographic Distribution

The portfolio exhibits a well balanced distribution among Saudi Arabia's primary metropolitan areas and several U.S "gateway" cities.



USA

Dallas Metro

Pioneer Headquarters, Dallas, Texas

Washington D.C. Metro

Two Washingtonian, Washington D.C. Metropolitan Area

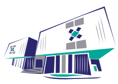
1111 Pennsylvania Avenue, Washington D.C.

San Francisco

350 Rhode Island, San Francisco, California

KSA

Riyadh



Vivienda

Burj Rafal Hotel

Al Tamayuz Center

Olaya Tower

Al Fursan Towers

The Academy

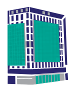
Braira Hittin hotel Villas

The Residence

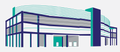
Izdehar Center

Saudi Electronic University

Jeddah



Ascott Tahlia



Omnia Center

Dammam & Khobar

Al Shatea Towers

Ascott Al Corniche

From Riyad Capital: Our Strategy

We remain committed to Riyad REIT's long-term strategy, which combines the three pillars – income, diversification, and value creation – which will collectively drive strong overall returns to our unitholders.

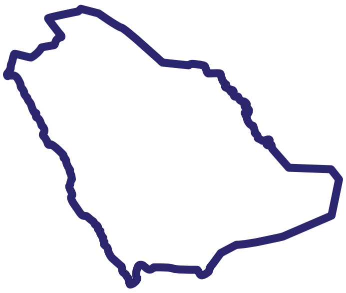
The key principles of our strategy are:

- Domestically, continue focusing on primary markets in Saudi Arabia – currently Riyadh, Jeddah, and the Eastern Province, with an expanded view on secondary cities that exhibit strong investment characteristics, market gaps, and high barriers to entry.
- Preference will be given to "Vision 2030 Properties" that benefit from increases in tourism, business visitations, and lifestyle retail trends.
- Internationally, continue maintaining our 25% international investment allocation with a focus on strong, economically sound, cities in the United States, Europe, and the United Kingdom.
- Emphasis will remain on long-term stable cash flows, and assets that exhibit better resilience under recessionary pressures.
- Across the board, continue investing in high quality properties, with solid tenancy and strong locations that are able to weather economic cycles better.
- Continue evaluating repositioning opportunities within the existing portfolio in order to enhance both cash flows and underlying valuations, while assessing new value-add investment opportunities. We are currently undergoing the largest "value-play" strategy of any REIT with: (1) the repositioning of Burj Rafal to a JW Marriott, (2) the repositioning of Fursan Plaza to a Hilton property, and (3) the development, and subsequent opening of Ascott Corniche Al Khobar. All three Value-add projects are expected to lead to higher future cash flows and considerably stronger valuations upon completion and stabilization.
- Maintain and grow our real estate proficiencies in all fields including development & construction oversight, leasing, cash flow management, property management oversight, and investment origination & sourcing. Riyad REIT's comprehensive business strategy requires a full array of disciplines and the long-term success of the strategy will depend on the Riyad Capital's deep real estate and financial expertise .

Our strategy is based on generating stable cash flows and aligning for long-term growth in income and value. We are conscious that our strategy favors high quality assets, assets which exhibit value enhancement potential, and long-term growth. We have shied away from higher yielding property assets with lower quality standards or eroding valuation outlooks. Our plans have taken considerable shape during 2019 as we have aligned with the best hospitality operators (Marriott, Hilton, Ascott), completed the Ascott development, began the positioning of the first JW Marriott in Saudi Arabia, substantially invested our allotted allocation for international investments, and utilized SR 600 million of debt to generate higher leveraged yields in 2020. The bulk of our rental properties in Saudi Arabia have maintained healthy occupancies during a period of challenging domestic market conditions. Our debt headroom affords us the ability for further growth – and under a lower interest rate environment – improved leveraged yields.

Market Snapshot

What research is saying



savills CBRE Knight Frank JLL

Saudi Property Overview

- The declining rate of Saudi national unemployment, which fell to 12.0% in Q3 2019 from 12.8% a year earlier, is expected to drive activity in Saudi Arabia's occupier sector. (Knight Frank)

- Additionally, as a result of the government's economic diversification strategies and the drive to boost Saudi nationals' and female workforce participation rates, growth has been witnessed in disposable incomes, which has in turn underpinned stability in the Saudi Arabian retail sector. (Knight Frank)

- The reintroduction of cinemas to the Kingdom in April 2018, coupled with other forms of public entertainment, is expected to increase retail footfall. (Knight Frank) The growth of the entertainment sector has had a significant impact on the real estate market, with effects witnessed most directly within the retail and hospitality sectors across the Kingdom's cities. (CBRE)

- During Riyadh Season 2019, Riyadh's hospitality sector recorded the highest November occupancy rate since 2007, with strong occupancies during the last three months of 2019. (CBRE)

- As the entertainment industry expands, the hospitality sector is expected to follow. Increased hotel supply between now and 2023 is expected to support the growth in tourist demand driven by an increased entertainment and leisure offering across the city. (CBRE)

- Growth is also expected through international visitor initiatives. Saudi Arabia began offering tourist visas in September 2019 to citizens of 49 countries. Additionally, Saudi Arabia's recent initiative to allow US, UK or Schengen visa holders to obtain a tourist visa on arrival in the Kingdom will help to boost the tourism sector and diversify the country's economy, which in turn will provide support to its hospitality market. (Knight Frank)

- Given the improving economic fundamentals, rental rates for retail is expected to remain stable in the short run across all key commercial hubs. (Knight Frank)

- During 2019, several Saudi-based REITs were included in the FTSE EPRA Nareit Emerging Index. The inclusion of Saudi REITs in this global real estate benchmark is expected to have favorable impact on the market by further aligning the regulatory guidelines governing their listing and operations with international best practices. Furthermore, the inclusion is seen as an important step towards increasing transparency and improving corporate governance. (Knight Frank)

Market Snapshot
What research is saying ?

Riyadh

- Backed by initiatives to support the development of culture, entertainment and leisure projects in Riyadh, the hotel market is expected to witness steady performance in the long run. (JLL)

- Hotel occupancy rates increased 400 bp to reach 59% year-to-date November 2019 compared to the same period last year. Revenue per available room (RevPAR) in Riyadh grew by 5.2% in 2019, while occupancy increased by 5 percentage points over the same period. (JLL)

- Saudi Arabia's economic diversification efforts has changed economic drivers which also led to changes in the country's office space demand. Riyadh, which is the largest and the most preferred city for corporate expansion / entry into the country, has been at the forefront of this transition. The city's office market has undergone significant growth over the past decade both in terms of the quality of space and its geographical spread. (Savills)

- The sustained growth in office demand was also reflected in the rental trends. Grade A rents across the city's key office districts have increased by an average 6.3% y-o-y during Q3 2019. Occupancy levels are high across Grade A buildings and business parks while most of the iconic buildings in the city are close to full occupancy. (Savills)

- On the back of various ambitious projects initiated by the Government, new independent organizations have been setup along with new subsidiaries of large government entities led by the Public Investment Fund (PIF). Private companies are also being incentivized and encouraged to participate in the diversification strategy. This led to a subsequent increase in office demand which is currently observed across the North Riyadh submarket. (Savills)

- Business Parks have gained in popularity due to various factors including more efficient office space layouts, generous car parking ratio for staff / visitors and ample retail / F&B and other social / community-based infrastructure.There is also the added convenience for tenants with the integration of F&B outlets, and other supporting amenities including gymnasiums, day care facilities, meeting halls, and hotels within the business parks. (Savills)

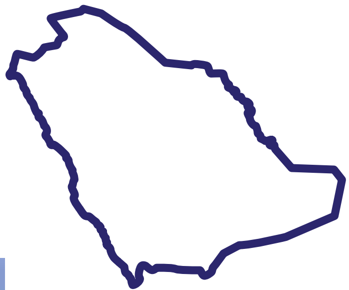
- Grade B rents fell by 8% by Q3 2019 (Y-o-Y). The faster rate of decline across the Grade B space compared to the Grade A space has to be seen within the context of a lack of Grade A space which continues to underpin rents in this segment. (Knight Frank) Vacancy rates showed annual improvement to reach 6% Y-o-Y. (JLL)

- Riyadh's office stock stood at around 3.95 million sqm gross leasable area (GLA) at the end of Q3 2019. By 2021, it is expected to reach an estimated 4.68 million sqm GLA, assuming that part of the office space from KAFD gets released to the market in 2021. (Knight Frank)

- Although there has been an improvement in business sentiment in Riyadh, the office sector is expected to remain under pressure over the next 12 months. Rents and occupancy rates are likely to soften further as supply outstrips demand for the foreseeable future. Longer term, demand for office space is expected to pick up from current levels as economic reforms start feeding into the wider system. (Knight Frank)

- In the retail sector, rents continued to register mixed performance. While rents in regional and community centers decreased 5% on an annual basis, rents in super-regional malls remained stable over the same period. Vacancy rates increased on an annual basis to reach 16% as of Q3 2019. Looking ahead, retail rents and vacancies for regional and community centers are likely to continue their downward trajectory due to the abundance of new retail projects. On the other hand, as most of the superregional malls have high occupancy rates, rents are expected to remain stable over the remainder of the year. As part of the government's initiatives to improve the quality of life for residents, Muvi Cinemas, Saudi Arabia's first home-grown cinema chain, announced the expected opening of its first two multiplexes in Riyadh within Al Hamra Mall and U-Walk center by year-end. (JLL)

Market Snapshot
What research is saying ?



Jeddah

- In Q3 2019, average rental rates in Jeddah's office market stood at 1,048 SAR/sqm and 749 SAR/sqm across the Grade A and Grade B segments respectively. (Knight Frank) Office rents softened further during the year and are likely to remain under downward pressure as more completions are expected in the short term. (JLL)
- Jeddah's office stock stood at around 1.21 million sqm GLA at the end of Q3 2019. By 2021, the total supply of office space is expected to be around 1.68 million square meters GLA. (Knight Frank)
- Market-wide vacancy in Jeddah stood at 22% in Q3 2019 with a few select Grade A buildings continuing to perform above market average. (Knight Frank)
- Due to soft occupier demand and economic conditions, it is expected that any increase in demand for office space will remain subdued in the short term, with rental and occupancy rates likely to remain under pressure. Properties which have good floor plates and are well located will have the potential to outperform the rest of the market. (Knight Frank) Looking ahead, as the Kingdom continues to push with giga-projects and encourage private sector participation in the economy, it is expected that the office market – particularly high-quality Grade A office space with better connectivity & amenities – to regain some momentum. (JLL)
- Overall retail rents in Jeddah continued to see mixed performance during 2019. Rents in regional centers registered annual declines of 10%, while rents in superregional centers remained unchanged. Market-wide vacancies improved marginally to reach 9% Y-o-Y. This is mainly due to the increased take up in high quality centers with more entertainment outlets. The lesser-quality centers are undergoing renovation to fit in cinemas and other entertainment offerings, in order to increase footfall and maintain overall performance. (JLL)
- The long-term outlook for the hotel market remains positive due to continued investments in the entertainment and tourism sector, and the latest launch of e-visas for international tourists from 49 countries. (JLL)

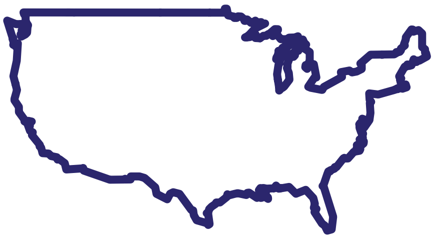
Eastern Province

- Rents across the Eastern Province continued to soften during 2019 with city-wide rents registering a 5% decline on a YoY basis. Grade A rents fell by 5%, while Grade B rents fell by 6% over the same period.
- The Eastern Province office stock stood at around 1.13 million sqm GLA at the end of Q3 2019. By 2021 the total stock of office space is expected to be around 1.42 million sqm GLA.
- Market-wide vacancy in the Eastern Province market stood at 32% in Q3 2019 unchanged from the previous quarter. Vacancy in well located prime and Grade A buildings remained relatively low whereas lower quality schemes have seen their vacancy levels trending higher. (Knight Frank)
- Given a subdued occupier demand and the large pipeline of office space that could be released on the market, rental and occupancy rates across the Eastern Province office market is expected to remain under pressure in the short to medium term. (Knight Frank)

The hotel market in the Dammam and Al Khobar region saw a 10% increase in occupancy, in the first half of 2019, compared to the same period last year. However, ADRs continued to soften, with a 17% decline over the same period, resulting in an overall decline in RevPAR of 8%. (Deloitte)

Market Snapshot

What research is saying



Knight Frank CBRE Colliers INTERNATIONAL JLL

US Real Estate Office Market

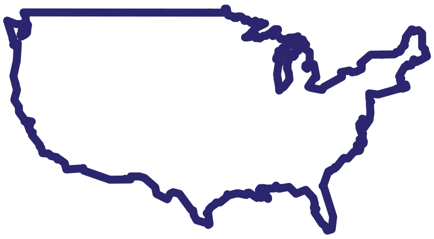
- Absorption approached 70 million sq. ft. in 2019 as growing tenants moved into long-awaited new space. 2019 was highlighted by sustained tenant demand (particularly from tech), expansion into new supply leading to widespread occupancy gains, continued but cooler rent growth and a robust development pipeline that will extend the current cycle out to 2023. (JLL)
- Even excluding coworking's rapid expansion earlier in the year that led to roughly 16.5 million sq. ft. of occupancy growth, absorption was well above previous years as tech, creative and a number of professional services tenants' pent-up demand for new space is only now finally being met. As has been the case throughout most of the current cycle, almost all net absorption in 2019 took place in the Class A segment. (JLL)
- The office market is more dynamic today than ever before backed by strong growth in office-using jobs. (CBRE)
- The Federal Reserve cut interest rates three times in 2019 and, due to expected slower economic growth, will likely make two more cuts in 2020. In addition to rate cuts, various other financial tools will support the economy further. (CBRE)
- CBRE sees property market resilience through 2020, with demand expected to remain strong. (CBRE)

Dallas

- Population and employment growth continue to drive demand for office space. (Knight Frank) As of October 2019, the unemployment rate in Dallas was at 3.1% - lower than the national average. (CBRE) The Dallas MSA's diverse industry base and strong population migration and job growth continue to bode well for the region's office market. (JLL)
- Dallas saw one of its strongest years this decade, and for the third time in the last five years absorption has surpassed 5 million sq. ft., ending the year at 5.4 million sq. ft. (Colliers) Office-using sectors have continued expanding at a combined job growth rate percentage of 3.1% year-on-year from October 2019. (CBRE)
- The trend of Class A positive absorption has been driven by the delivery of high-quality space to the Dallas market, and many tenants seeking to gain a more efficient space configuration. (CBRE)
- Dallas is still a hotbed for corporate expansions as companies continue to grow in the metroplex. Some of the key attributes that make Dallas attractive to companies are a profoundly talented work force, incentives provided by the State of Texas and relatively low price of doing business. (Knight Frank).
- The biggest move-in of Q4 2019 was Pioneer Natural Resources, which moved into a 1.1 million sq. ft. build-to-suit in Las Colinas. (CBRE) Additionally, Dallas showed that it is still a top corporate relocation magnet by attracting Uber's regional hub with 3,000 jobs. (JLL)

Market Snapshot

What research is saying



Washington DC (District of Columbia)

- The district posted improved employment growth with the addition of 8,200 jobs over the prior year, compared to 2018 which saw the creation of 6,700 new jobs.

- The unemployment rate was down to 2.8% in October 2019, historically low for this cycle and an indicator of a sturdy regional economy. (Knight Frank)

- Sectors that posted the most gains in 2019 were professional and business services (+2,800 jobs) and leisure and hospitality (+2,600 jobs). (CBRE) There was continued appetite from the traditional local tenant bases of law firms, consulting, media and government. (JLL)

- Class A experienced 2.4 million sq. ft. of net occupancy gains in 2019 and ended the year with direct vacancy of 12.8%, its lowest level since Q3 2015. (JLL)

- The construction pipeline reached its lowest level in Q4 2019 since the start of 2016 and fewer starts are expected in 2020. (JLL)

- Overall asking rents rose during 2019 on a full-service basis with trophy rents experiencing the highest increase year-over-year, driven in part by the delivery of new Trophy product that commands top market rates. (CBRE) Pricing for Class A assets is commanding a 28% discount to the Trophy segment. (JLL)

Washington DC (Suburban Maryland)

- Suburban Maryland continues to be one of the nation's strongest markets for life sciences backed by the headquarters of the National Institutes of Health (NIH), the Food and Drug Administration (FDA) and the National Institute of Standards and Technology (NIST). (JLL)

- The education and health services sector contributed the largest gain with the creation of 1,300 new jobs, while professional and business services employment expanded by 1,200 jobs. (CBRE)

- With more than 600,000 sq. ft. of net new demand in 2019, the Suburban Maryland office market posted its fifth consecutive year of occupancy gains for a total of 2.5 million sq. ft. during this continuous stretch of growth. (CBRE)

- As market fundamentals continue to strengthen backed by private-sector tenant expansions, the year-end vacancy rate of 15.6% is down 60 basis points from the same time last year and 200 bps from the peak in 2014. (CBRE) The Class A vacancy rate is 15.2%, 100 bps lower than one year ago. (Knight Frank)

- Despite several significant deliveries to the market, vacancy is expected to decrease due to multiple sizable move-ins expected in 2020. (Colliers)

- Product with direct access to mixed-use amenities will continue to see demand, and currently commands a 24% premium. (JLL)

- The total 2019 sales volume of $1.4 billion represents an increase of more than 20% from 2018. (CBRE)

Market Snapshot

What research is saying?

San Francisco

- In San Francisco, the labor market remains healthy, as the metro area posted 2.7% growth in total nonfarm employment year-over-year, driven largely by sustained hiring in the information and professional services sectors. (JLL) The unemployment rate in San Francisco was just 2.0% at the end of October 2019 which is favorable to the state rate of 3.9% and the national rate of 3.6%. (Knight Frank)

- Annual leasing volumes remained at record highs of nearly 9.5 million sq. ft., 28 percent higher than the annual 20-year average of 7.4 million sq. ft. The City recorded robust leasing activity during the last quarter of 2019, posting over 2.2 million square feet of closed transactions (Colliers)

- The market-wide vacancy rate stayed under 4% for the fourth consecutive quarter, ending Q4 2019 at 3.7%. The vacancy rate is expected to remain low in the near term as there continues to be a shortage in supply. (CBRE) The vacancy rate has not hit these levels since the dot com boom of 2000. (Colliers)

- The elongated supply/demand imbalance, combined with extremely low vacancy rates in the market, has pushed average asking lease rates even higher, increasing to $88.19 per sq. ft. This is intensified in large blocks of space, which are in the highest demand. Asking rents for a large block (30,000 sq. ft. or more) has shifted from $80-$89 in 2018 to $90-$99 per sq. ft. in 2019. (CBRE)

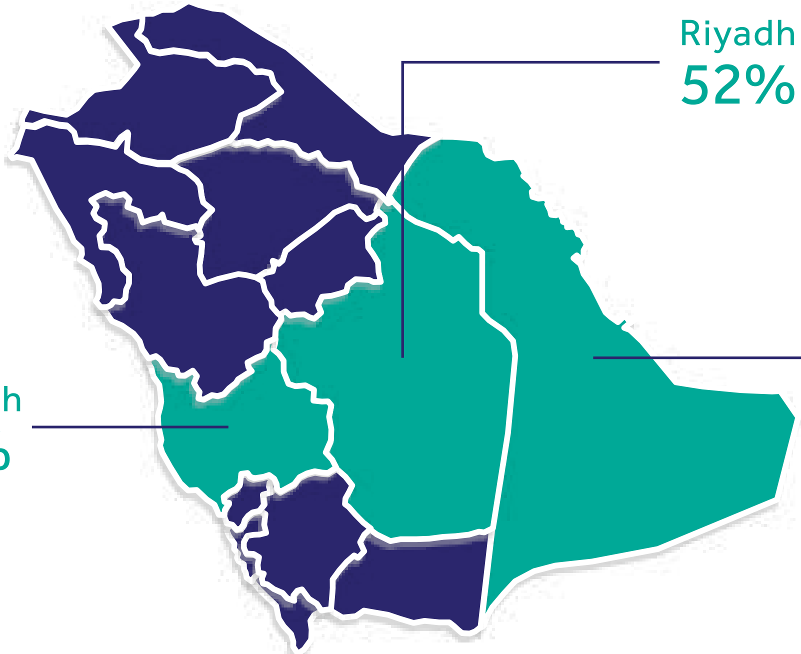
- The lack of desirable and available large block options, has resulted in the spike in average asking rents. (JLL)

- The San Francisco office investment market continues to be a hot bed of activity. Total investment volume hit record highs in 2019 at $6.8 billion. San Francisco continues to be one of the most desirable investment markets in the nation. (Colliers)

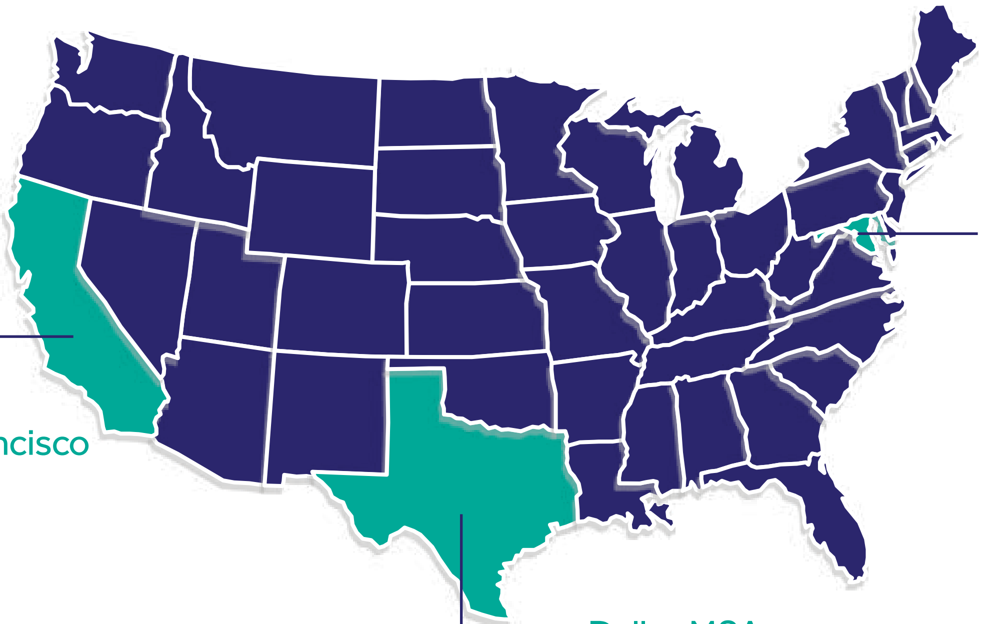
- Looking ahead to 2020, the tight market conditions will continue to have a significant impact on market fundamentals. The lack of large blocks of space is expected to persist. (CBRE)

Diversified Revenue Base

Saudi Arabia
72%

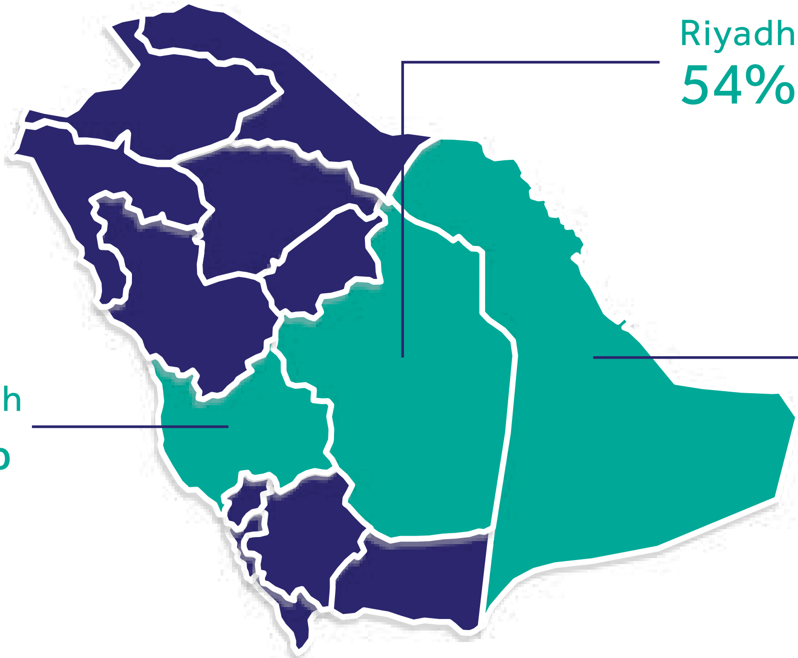


United States
28%

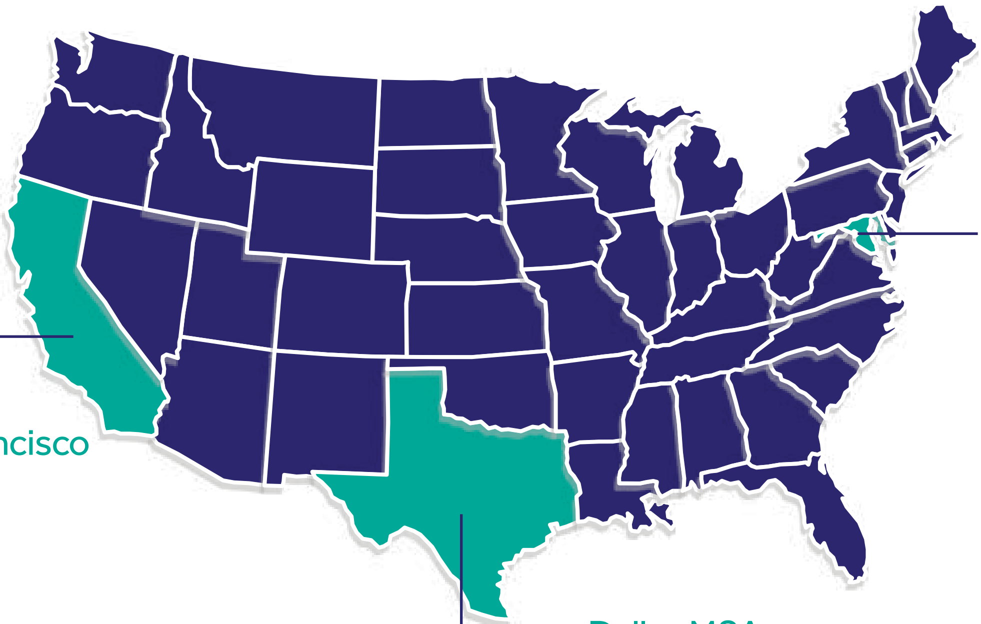


Diversified Asset Base

Saudi Arabia
80%



United States
20%



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Local Portfolio

- The Residence
- Braira Hittin
- Saudi Electronic University
- Vivienda
- The Academy
- Burj Rafal
- Olaya Tower
- Altamyouz Center
- Alizdihar Center
- Alfursan Towers
- Alshatea Towers
- Ascott Corniche Alkhobar
- Omnia Center
- Ascott Tahlia

The Residence

City
Riyadh

Location
Hitteen, Prince Mohammed Bin salman

Description
Mixed-Use property including 33 hotel villas and 6,500 m2 of commercial space

Year Built
2017

Wault
5.35 years

Land Area
15,000 m2

Key Tenant(s)
- Café Farzi
- Morood Investment Company
- Luxury KSA and
- Dunia

Braira Hittin Hotel Villas

City	Location	Description	Year Built
Riyadh	Hitteen, Prince Molhammad Bin Salman	Mixed-Use property including 33 hotel villas and 6,500 m2 of commercial space	2017

Wault	Land Area	Operator
Operatioanl agreement with Braira	6,300 m2	Boudl (Braira)

Saudi Electronic University

City	Location	Description	Year Built
Riyadh	Located in Ar Rabi district at the intersection of Abi Bakr As Siddiq Road and Prince Mohammed Bin salman Road in the north of Riyadh	Main Campus of the Saudi Electronic University	2012

Wault	Land Area	Key Tenant(s)
1.07 years	14,900 m2	Saudi Electronic University

Vivienda

City	Location	Description	Year Built
Riyadh	Um-AlHamam District, Mousa bin Nusair	Hotel Villas	2015

Wault	Land Area	Key Tenant(s)
12.1 years	2,800 m2	Forus

The Academy

City	Location	Description	Year Built
Riyadh	Alsahafa district, King fahad road	Education center	2014

Wault	BUA	Key Tenant(s)
1.79 years	4,575 m2	• STC

Burj Rafal Hotel

City	Location	Description	Year Built
Riyadh	King Fahad Road, Al Sahafa district	Burj Rafal Hotel Complex, which includes a Five star Hotel (349 rooms), Ballroom, Business center, Spa, six restaurants	2014

Wault	Land Area	Operator
Operational Agreement with Marriot international	21,106 m2	Marriot

Olaya Tower

City	Location	Description	Year Built
Riyadh	Olaya street	Office building	2019

Wault	Land Area	Key Tenant(s)
3 years	2,555 m2	•Thiqah

Altamayuz Center

City	Location	Description	Year Built
Riyadh	Qurtoba, positioned on the intersection of Imam Abdullah Bin Saud Road Abraaj Street	Mixed-Use property	2015

Wault	Land Area	Key Tenant(s)
0.79 years	7,149 m2	• Magrabi • Tadrees • Domino's

Alizdihar Center

City	Location	Description	Year Built
Riyadh	Izdihar, located on OthmanBin Afan Road in closeproximity to Nakheel Mall	Mixed-Use property	2015

Wault	Land Area	Key Tenant(s)
2.47 years	2,506 m2	• Nahdi Pharmacy • Obal • Pearls Clinic

Alfursan Towers (under construction to be upgraded to a Hilton property)

City	Location	Description	Year Built
Riyadh	King Fahad Road	147 room keys, 8 meeting rooms and commercial rental space on King Fahad Road	under construction

Land Area	Operator
1,740 m2	Hilton

AL Shatea Towers

City	Location	Description	Year Built
Dammam	Al Shatea, Prince Mohmmad Bin Fahad Street	Mixed-Use property consisting of retail, office and hospitality space	2015

Wault	Land Area	Key Tenant(s)
5.7 years. The hospitality space is under a long-term 15-year corporate lease.	6,300 m2	Boudl (Braira)

Ascott Corniche Al Khobar

City	Location	Description	Year Built
Khobar	Corniche area, Prince Turki Street	148-key serviced apartment with ground floor retail	2019

Hotel Management Term	Land Area	Operator	BUA
25 years	2,784 m2	Ascott International	24,453 m2

Omnia Center

City	Location	Description	Year Built
Jeddah	Located in Rawdah district, Prince Saud Alfaisal street	Offices, Retail stores and Residential Apartments	2009

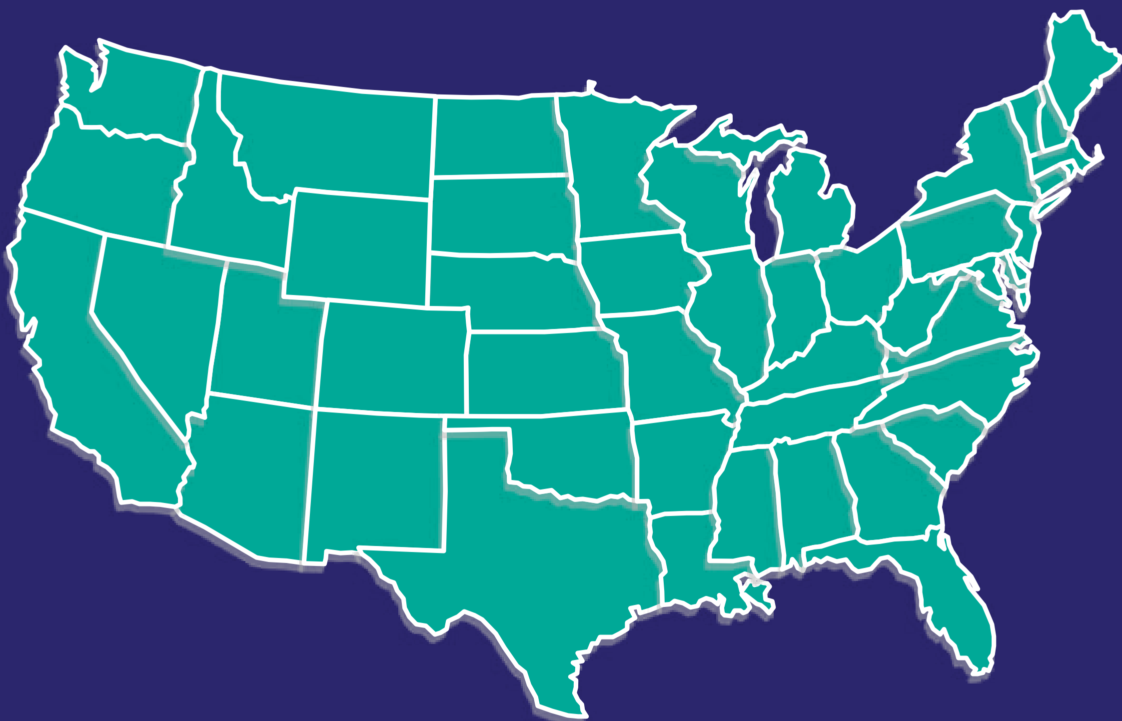
Wault	Land Area	Key Tenant(s)
1.1years	10,000 m2	• NCB • Malath Insurance

Ascott Tahliya

City	Location	Description	Year Built
Jeddah	Al Rawdah, located Tahlia Street – Jeddah's main commercial avenue	Serviced Apartment operated by Ascott with ground floor and mezzanine retail space	2015

Wault	Land Area	Key Tenant(s)
8.2 years	2,025 m2	Ascott / Spectrums

International Portfolio



International Portfolio

- Pioneer HQ
- The Presidential Building
- 350 Rhode Island (San Francisco)
- Two Washingtonian

Pioneer Headquarters

City	Location	Description	Tenants
Dallas Metro	Las Colinas, Irving, Dallas	Class A Trophy office	100% leased to Pioneer Natural Resources (investment-grade)

Lease Duration	Rentable Area
Brand new 20-year lease with annual escalations	104,555 m2

The Presidential Building

City	Location	Description	Tenants
Washington D.C. USA	1111 Pennsylvania Avenue	Class A Trophy Office	100% occupied and predominantly leased for 13 years (with annual escalation) to Morgan Lewis

Lease Duration	Rentable Area
Approx. 12.5 years (with annual escalation)	31,350 m2

350 Rhode Island North

City	Location	Description	Tenants
San Francisco, California, USA	350 Rhode Island	Class A Office	98% leased to City of San Francisco (investment grade) 2% leased to Starbucks (investment grade)

Lease Duration	Rentable Area
14 years with annual escalations	11,810 m2

Two Washingtonian

City	Location	Description	Tenants
Washington D.C. USA	Suburban Maryland, Gaithersburg	Class A Office	100% leased to Leidos Holding, Inc. (investment-grade rating)

Lease Duration	Rentable Area
13 years with annual escalations	27,300 m2

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Risk Assessment

Main Risk Factors	Description	Assessment
Failure by tenants to meet their rental obligations	The performance of the Fund may be negatively affected if a substantial number of tenants are unable to satisfy their rental obligations. In addition, in case a tenant resorts to bankruptcy, insolvency or similar proceedings, such tenant may be able to terminate its lease, which in turn results in a decrease in the cash flow of the Fund. Therefore, in case a large number of tenants breach their obligations or become bankrupt, the cash flow of the Fund as well as the ability of the Fund to make distributions to unitholders may be negatively affected.	The cash flow generated from the operation of the real estate portfolio is the main source of liquidity used to repay the Fund's periodical overhead and administrative expenses. Therefore, the Fund Manager shall ensure that it has sufficient funds to pay for all liabilities in a timely and effective manner. In addition, the Fund Manager will use the excess funds in short-term deposits in accordance with cash management policies and procedures. In addition, the abovementioned risks are mitigated through geographical diversification, diversification of the tenants and asset classes, and continuous evaluation of tenant credit ratings and rental arrears.
Market risks	Market risks arise from external factors, including, for example but not limited to, economic conditions, competition, supply and demand, and political changes.	The Fund Manager will monitor the economic conditions, the real estate market, competition from similar assets, and various other factors, with a view of mitigating the impact these factors on the Fund through diversifying asset classes that add stability to the real estate portfolio while reducing exposure to economic volatility.
No guarantee of profits	There is no guarantee that the Fund will be able to achieve returns for its investors or that returns will be commensurate with the risk of investing in Fund. It is possible for the value of units in the Fund to decrease or that the investors lose some or all of the capital invested. There is no guarantee that the expected returns or the objective of the Fund will be achieved.	The Fund Manager will carry out valuation of the real estate portfolio twice a year to take necessary precautions to protect the value of the underlying assets.

Risk Assessment

Main Risk Factors	Description	Assessment
Risks related to the use of bank financing	The level of risk that the Fund is exposed to increases in case it mortgages any of its assets in favour of a third-party financier. Under any mortagage arrangements, the Fund may lose title to any of its mortgaged assets, as per the terms of any financing documentation. Whereas the use of finance creates an opportunity to increase business efficiency and returns; it also involves a high degree of financial risks and exposes the Fund and its investments to other factors such as rising costs of leverage and downturns in the economy. Furthermore, defaulting under any financing arrangements may allow the financiers to dispose of the mortgaged assets to recover the amounts owed, which in turn affects the performance and expected returns of the Fund.	The Fund Manager uses bank finance in order to enhance returns for investors. However, the Fund Manager may resort to financial instruments to mitigate the impact of financing risk on the Fund as the Fund Manager acknowledges that financing risks may lead to unforeseen losses.
Development risks	There are development risks associated with real estate projects under development, which include (1) delays in the completion of work in a timely manner, (2) cost overruns, (3) inability to obtain rental contracts at targeted returns, and (4) force majeure resulting from factors outside the control of the Fund relating to the construction sector (including poor weather and environment conditions and shortage of building materials in the market) the matter which hinders the completion of development projects which may affect the profitability and/or financial viability of the project and lead to inability to meet the revenue expectations upon completion.	This type of risk is relatively mitigated based on the fact that the Fund has a limited right to invest as maximum 25% of its asset value in assets which are under development. The Fund Manager also aims to mitigate these risks through performing the development work after carrying out all necessary technical, financial and legal due diligence.

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Risk Assessment

Main Risk Factors	Description	Assessment
Legal, regulatory and tax risks	There may be legal, fiscal, regulatory or other changes in the Kingdom or other countries during the Fund's duration, which can have a negative impact on the Fund, its investments, or the unitholders. There are currently no taxes levied on investment funds within the Kingdom of Saudi Arabia. However, there is no guarantee that the current tax regime in Saudi Arabia will not change.	The Fund Manager adopts an effective approach to monitor regulatory requirements and any modifications to them which impact the management of the Fund, such as modifications which impact compliance and risk management requirements in relation to the Fund. Such practices by the Fund Manager aim to establish appropriate controls to avoid non-compliance by the Fund or Fund Manager.
Real estate valuation riskst	For the purpose of estimating the value of a property within the Fund's investment portfolio, the Fund Manager shall carry out internal valuations in many cases for the Fund, in addition to obtaining third party valuations carried out by independent third parties. In this regard, valuations carried out by the Fund Manager are for guidance purposes only and are not an accurate measure of the value that can be obtained when selling the relevant property. The final verification of the market value of a property depends largely on negotiations between a seller and a buyer which may be affected by economic conditions and other circumstances beyond the control of the Fund and the Fund Manager.	The Fund Manager shall valuate the Fund's real estate assets based on a valuations carried out by two independent valuators accredited by Saudi Authority for Accredited Valuators. The average of two valuations shall be adopted and in case of a substantial discrepancy between both valuations, the Fund Manager shall appoint a third valuator.
Risks of investing in real estate outside Saudi Arabia	The Fund may be exposed to various risks related to investing in real estate located outside the Kingdom. For example, foreign real estate markets are subject to a decline in public activity and rental levels. In addition, real estate or companies that own these properties are exposed to losses as a result of claims relating to environmental liability, occupational safety, insurance, tax or other legal or regulatory claims related to the ownership of foreign assets.	The fund manager studies the markets in which the fund invests using specialized advisors in the target markets to examine the markets in general and the potential risks of investment. After acquiring the property, the Fund Manager takes an effective approach to monitor the level of activity in the real estate markets in which the Fund invests, in addition to the regulatory requirements and any modifications to them. This contributes to establishing appropriate controls that allow the Fund Manager to make appropriate decisions that ensure the interests of the Fund and unit holders.

Disclaimer

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Before making an investment decision the reader should seek advice from an independent financial, legal, tax and/or other required advisers due to the investment in such kind of securities may not be suitable for all recipients.

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Riyad REIT 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 Instructions issued by the CMA. The Capital of the REIT is SAR 1,633,000,010. 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. Registration and listing of the fund units was approved by CMA on 08/02/1438H correspondent to 08/11/2016G.

Terms and Conditions of the Fund and financial reports can be downloaded from:
www.riyadcapital.com

RIYAD REIT FUND
A Real Estate Investment Traded Fund
(Managed by Riyad Capital)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with the
Independent Auditor's Report

PKF

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Opinion

We have audited the accompanying consolidated financial statements of Riyad REIT Fund ("the Fund"), being managed by Riyad Capital (the "Fund Manager"), which comprises the consolidated statement of financial position as at 31 December 2019 and the related consolidated statements of comprehensive income, changes in net assets and cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements taken as a whole, present fairly, in all material respects, the consolidated financial position of the Fund as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization of Certified Public accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Fund in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the key matter was addressed in our audit
Riyad REIT Fund owns a portfolio of investment properties comprising of commercial buildings located in the Kingdom of Saudi Arabia. Investment properties, held for capital appreciation and or rental yields, are stated at cost less accumulated depreciation and any accumulated impairment losses.	For impairment of investment properties, we have carried out the following audit procedures: - We Obtained two valuation reports from different/ independent real estate evaluators for each investment properties as at 31 December 2019 and confirmed that the valuation approaches are suitable for use in determining the carrying values as at the reporting date;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Key Audit Matters (continued)

Key audit matter	How the key matter was addressed in our audit
Investment 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. For assessing the impairment of investment properties, the Fund manager monitors volatility of fair value of properties by engaging independent certified property valuers to perform a formal valuation of the Fund's investment properties on semiannual basis. We considered this as a key audit matter since the assessment of impairment requires significant judgment by the Fund manager and the potential impact of impairment if any, could be material to the financial statements.	- We assessed the independence and competence of the external valuers and read their terms of engagement with the Fund to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; - Assessed the recoverable amount, which is higher of fair value or value in use of the related investment properties as per the above-mentioned valuation reports. We have determined that the recoverable amount of the investment properties to be higher than the carrying amount of the same except for certain properties, which had an immaterial impairment impact and thus not recorded by the Fund`s management; and - We reconciled the average fair value of the investment properties as per note 20 to the external valuers' reports.

Other information

Other information consists of the information included in the Fund's 2019 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in the Fund's annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Fund's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Fund's management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing "ISA" that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE UNITHOLDERS
RIYAD REIT FUND
MANAGED BY RIYAD CAPITAL
RIYADH, KINGDOM OF SAUDI ARABIA

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

For and on behalf of
Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
C.R. 1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim A. Al-Bassam
Certified Public Accountant
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30 March 2020

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RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Amounts in SAR)

	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	**44,591,183**	31,497,648
Account receivables, net	8	**59,490,382**	34,144,087
Inventory		**1,187,914**	1,236,128
Prepayment and other receivables	9	**29,276,109**	17,332,170
Due from related parties	12	**1,292,656**	12,316,277
Properties under development	10	**177,404,991**	133,927,572
Investments carried at fair value through profit or loss (FVTPL)	16	**453,042,060**	-
Investment properties	11	**1,619,484,881**	1,568,236,450
TOTAL ASSETS		**2,385,770,176**	1,798,690,332
LIABILITIES			
Islamic Financing	13	**685,076,029**	88,339,892
Accounts payable		**10,615,100**	5,970,841
Unearned rental income	14	**18,971,558**	8,915,303
Accrued expenses	15	**44,644,082**	48,610,699
Due to related parties	12	**1,165,927**	2,989,755
Employees' post-employment benefits		**1,732,608**	1,901,047
TOTAL LIABILITIES		**762,205,304**	156,727,537
Commitments and contingencies	22		
Net assets attributable to the Unitholders		**1,623,564,872**	1,641,962,795
Units in issue *(numbers)*		171,697,101	171,697,101
Book value attributable to each unit		**9.46**	9.56
Fair value attributable to each unit	20	**9.66**	9.94

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements

RIYAD REIT FUND
(MANAGED BY RIYAD CAPITAL)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Amounts in SAR)

	Note	For the year ended 31 December 2019	For the year ended 31 December 2018
Income from rental and operation	17	**173,207,979**	149,113,651
Income from investments carried at FVTPL			-
- Unrealised gain on investments carried at FVTPL		**45,551**	-
- Dividend Income		**7,947,713**	-
Total Income		**181,201,243**	149,113,651
Cost of Revenue		**(35,167,566)**	(29,117,667)
Gross Profit		**146,033,677**	119,995,984
OPERATING EXPENSES			
Property management expenses		**(7,152,282)**	(1,860,395)
Fund management fee	12	**(18,604,840)**	(11,934,459)
Custodial expenses		**(126,000)**	(100,000)
General and administrative expenses	18	**(20,552,278)**	(29,529,738)
Finance cost expense	10,12,13	**(7,144,318)**	(144,661)
TOTAL OPERATING EXPENSES		**(53,579,718)**	(43,569,253)
Other income		**410,610**	782,706
Funds from Operations		**92,864,569**	77,209,437
Investment properties depreciation	11	**(21,979,998)**	(13,028,710)
Net income for the year		**70,884,571**	64,180,727
Total comprehensive income for the year		**70,884,571**	64,180,727

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December
(Amounts in SAR)

	Note	2019	2018
Net assets value attributable to the Unitholders at the beginning of the year		**1,641,962,795**	488,970,565
Changes from unit transaction during the year:			
- Subscription of units – Cash		-	264,127,586
- Subscription of units – In kind contribution		-	868,872,424
Total comprehensive income for the year		**70,884,571**	64,180,727
Dividends paid during the year	**21**	**(89,282,494)**	(44,188,507)
Net assets value attributable to the Unitholders at the end of the year		**1,623,564,872**	1,641,962,795

Transactions in units for the year are summarized as follows:

	2019	2018
Number of units at the beginning of the year	**171,697,101**	50,000,000
Subscription of units – Cash	-	28,370,310
Subscription of units – In kind contribution	-	93,326,791
Number of units at the end of the year	**171,697,101**	171,697,101

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December
(Amounts in SAR)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		**70,884,571**	64,180,727
Adjustments to reconcile net income to net cash used in operating activities:			
Provision for doubtful debt	**8**	**1,831,904**	489,714
Investment properties depreciation	**11**	**21,979,998**	13,028,710
Unrealized gain or loss on Investments carried at FVTPL	**16**	**(45,551)**	-
		94,650,922	77,699,151
Changes in operating assets and liabilities			
Account receivables, net		**(27,178,199)**	(25,280,907)
Inventory		**48,214**	(1,236,128)
Prepayment and other receivables		**(11,943,939)**	(11,715,426)
Due from Related Parties		**11,023,621**	-
Properties under development		**(43,477,419)**	(137,439,542)
Accounts payable		**4,644,259**	5,970,841
Accrued expenses		**(4,135,056)**	8,758,477
Unearned rental income		**10,056,255**	2,990,576
Due to Related Parties		**(1,823,828)**	(9,326,522)
Purchase of investment properties		**(73,228,429)**	(14,219,312)
Net cash generated from / (used in) operating activities		**(41,363,599)**	(103,798,792)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments measured at FVPL	16	**(452,996,509)**	-
Net cash used in investing activities		**(452,996,509)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(106,583,479)
Proceeds from borrowing	**13**	**596,736,137**	-
Dividends paid	**21**	**(89,282,494)**	(44,188,507)
Subscription of units		-	264,127,586
Net cash from financing activities		**507,453,643**	113,355,600
Net increase in cash and cash equivalents		**13,093,535**	9,556,808
Cash and cash equivalents at the beginning of the year		**31,497,648**	21,940,840
Cash and cash equivalents at the end of the year		**44,591,183**	31,497,648
Supplemental non-cash transactions			
Purchase of investment through subscription of units in REIT		-	868,872,424

The accompanying notes 1 to 31 form an integral part of these consolidated financial statements.

1. THE FUND AND ITS ACTIVITIES

Riyad REIT (the "REIT" or the "Fund") is a closed-ended Shari'ah-compliant real estate investment traded fund. The REIT operates in accordance with Real Estate Investment Funds Regulations and REIT Regulations issued by the CMA. The REIT is listed on the Tadawul and units of the REIT shall be traded on the Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amount to SAR 1,663,000,010 (31 December 2018: SAR 1,663,000,010). The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager with the prior approval of the CMA. These consolidated financial statements include the accounts of the REIT and its subsidiaries (together the "REIT" or the "Fund")

The REIT is managed by Riyad 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 Riyad Bank.

The primary investment objective of the REIT is to provide its investors with current income by investing in construction developed income-producing real estate assets in Saudi Arabia. While the REIT will primarily invest in such assets, the REIT may opportunistically invest in real estate development projects; provided that (i) at least 75% of the REIT's total assets are invested in developed real estate assets which generate periodic income and (ii) the REIT may not invest in vacant land.

The REIT may, a secondary basis, invest in development opportunities with profitable growth potentials that cater for specific real-estate needs, previously unavailable in certain areas. An added value is expected, in the medium term, to be created to Unitholders in such development projects. In the long term, the REIT's investment portfolio will continue to focus on attractive investment opportunities in different real-estate sectors, including, but not limited to, offices, trade exhibitions, houses, hospitality facilities, warehouses, etc. in order to build a real-estate base with diverse and stable income for Unitholders as well as achieve reasonable increase in the portfolio value.

The REIT shall be governed by the laws of Saudi Arabia and the regulations implemented by the CMA. The investments of the REIT shall comply with the Regulation of Ownership and Investment in Real Estate by Non-Saudis. The offering of units in the REIT has been approved by the CMA on 8/2/1438H (corresponding to 8/11/2016).

As of 31 December 2019, the Fund's current liability exceeds its current assets by SAR 107.78 million, mainly on account of Tawaruq facility due during 2020 by an amount SAR 169 million. The Fund has undrawn facility limit with the Riyad Bank which the management intends to utilise to correct the assets liabilities mismatch as of 31 December 2019.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by Capital Market Authority (CMA) on 3 Dhul Hijja 1427H (corresponding to 24 December 2006) and 19 Jumada II 1427H (corresponding to 15 July 2006) respectively, detailing requirements for all types of funds within the Kingdom of Saudi Arabia.

3. BASIS OF PRESENTATION

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organisation of Certified Public Accountants ("SOCPA").

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

3. BASIS OF PRESENTATION (Continued)

3.2 Basis of measurement and functional and presentation currency

These consolidated financial statements have been prepared under the historical cost convention except for investments measured at FVTPL, and the amounts are expressed in Saudi Arabian Riyals (SAR), which is REITs functional and operational currency.

3.3 Critical accounting judgments, estimates and assumption

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period, are described below. REIT based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of REIT. Such changes are reflected in the assumptions when they occur.

Going Concern
REIT's management has made an assessment of REIT's ability to continue as a going concern and is satisfied that the REIT has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on REIT's ability to continue as a going concern. (Refer to note 1).

Valuation of investment properties
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less cost to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the assets' useful lives and do not include restructuring activities that the fund is not yet committed to or significant future investments that will enhance each assets performance of the cash generating unit being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Impairment of non-financial assets
The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

3. BASIS OF PRESENTATION (Continued)

3.3 Critical accounting judgments, estimates and assumption (continued)

Residual and useful lives of investment properties

The REIT's management determines the estimated residual value and useful lives of its investment properties for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management will review the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3.4 Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgments are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purposes of measuring ECL.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements include the financial statements of the REIT and all of its subsidiaries. The REIT controls a subsidiary if it has power over it, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have the same reporting date of the REIT. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the REIT obtains control, and continue to be consolidated until the date when such control ceases.

Details of the REIT's operating subsidiaries as of 31 December 2019 are as follows:

Name of subsidiary	Acquisition date	Principal Activity	Country	Proportion of Ownership Interest and Voting Power Held
Durrat Aldahia Company – Burj Rafal Hotel	1 April 2018	Hotel	Saudi Arabia	100%
Durrat Hittin company - Braira Hattin Hotel	9 June 2018	Hotel	Saudi Arabia	100%

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Cash and cash equivalents are carried at amortized cost within the consolidated statements of financial position.

Rent receivable
Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using effective commission method. Loss allowance for receivables is always measured at an amount equal to lifetime expected credit losses.

Inventory
Inventory is stated at the lower of cost and net realisable value. Cost, which is determined on the weighted average basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Where necessary, an impairment provision is made for obsolete, slow moving and defective items.

Properties under development
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 expenditure. 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. Commission on tawaruq facility with regards to properties under development is being capitalized till the related property is ready for use.

Foreign currency transactions

Transactions in foreign currencies are translated into the Saudi Arabian Riyals, which is also the functional currency of the Fund, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transactions. Foreign currency differences are generally recognized in profit or loss.

Investment properties
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 i.e. 50 years.

Residual values and useful lives of investment property are subject to review and adjustment, as necessary, when an asset carrying 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 the carrying value, recorded in net basis in the statement of income.

Impairment of non-current assets
Properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss subsequently reverses, the carrying amount of the property is increased to the

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-current assets (Continued)
revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of comprehensive income.

Accrued expenses and other liabilities
Accrued expenses and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective commission rate method. A provision is recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision is not recognised for future operating loss.

Revenue Recognition

Rental Revenue
Rental revenue on investment property is recognized on accrual basis.

Income from hotel operations
Revenue is generated from hotel operation, which includes room rental, sales of food and drinks/beverages. Revenue is recognized when room is occupied, services are incurred, and when the food and drinks are sold. Following criteria must be fulfilled before revenue is recognized:

Service incurred:

Revenue for the service (food and drink) is recognized when the hotel fulfils the performance obligation. The hotel recognizes the revenue once the service has been provided.

Dividend income
Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVTPL financial instruments or other operating income based on the underlying classification of the equity instrument

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

General and administrative expenses
These have management expenses which are not part of cost of sales or advertising expenses. The allocation of expenses in cost of sales and General and admin is done properly.

Expenses
Expenses including Property management expenses, Fund management fees, custodial fees and other fees are recorded on accrual basis.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend distribution

Dividend distribution to the unit holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Fund's Board.

Financial instruments

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IFRS 9 are as follows:

	IFRS 9	
	Measurement category	**Carrying amount**
Financial assets		
Cash and cash equivalents	Amortised cost	44,591,183
Account receivables, net	Amortised cost	59,490,382
Prepayment and other receivables	Amortised cost	3,381,216
Due from related parties	Amortised cost	1,292,656
Investments carried at FVTPL	FVTPL	452,996,509
Total financial assets		**561,751,946**
Financial Liabilities		
Borrowings	Amortised cost	685,076,029
Accounts payable	Amortised cost	10,615,100
Due to related parties	Amortised cost	1,165,927
Accrued Expenses	Amortised cost	30,566,387
Total financial liabilities		**727,423,443**

Impairment of financial assets

The Fund applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of account receivables.

The Fund uses a provision matrix in the calculation of the expected credit losses on receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default which was derived from historical data of the Company and is adjusted to reflect the expected future outcome which includes macro-economic factors.

Other instruments are considered as low risk and the Fund use a provisional matrix in calculating the expected credit losses.

A financial asset is written off only when:

(i) that is past due, and
(ii) there is no reasonable expectation of recovery

Where financial assets are written off, the Fund continues to engage in enforcement activities to attempt to recover the receivables due. Where recoveries are made, after write-off, are recognized in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

Financial liabilities

The Fund classifies its financial liabilities at amortised cost unless it has designated liabilities at FVPL. The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

5. New standards effective from 1 January 2019

IFRS 16 Leases

The Fund has adopted IFRS 16 - Leases effective from 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exceptions for short-term leases and low-value items. Lessor accounting remains similar to the current standard – i.e. lessor continues to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC 15 Operating Leases – incentives and SIC-27 Evaluating the Substance of Transactions involving the legal Form of Lease.

The Fund has assessed the impact of above standard. Based on the assessment, the above standard has no material impact on the Fund's financial statements as of the reporting date.

6. 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.

7. CASH AND CASH EQUIVALENTS

	Note	31 December 2019	31 December 2018
Cash on hand		**191,000**	118,500
Cash at Bank	12	**44,400,183**	31,379,148
		44,591,183	31,497,648

8. ACCOUNT RECEIVABLES, NET

	31 December 2019	31 December 2018
Account Receivable	**63,036,883**	35,858,684
Provision for doubtful debts	**(3,546,501)**	(1,714,597)
	59,490,382	34,144,087

9. PREPAYMENT AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
Prepaid expenses	**3,042,630**	2,624,682
Cash margin for Letter of Credit	**3,381,216**	10,092,738
VAT	**5,495,350**	1,489,806
Advances to sub-contractors	**10,508,620**	1,251,243
Accrued income	**3,861,113**	-
Other	**2,987,180**	1,873,701
	29,276,109	17,332,170

10. PROPERTIES UNDER DEVELOPMENT

	Note	31 December 2019	31 December 2018
Balance at the beginning of the year		**133,927,572**	92,614,163
Development Cost incurred during the year		**42,247,494**	39,786,357
Islamic financing cost capitalized	12, 13	**1,229,925**	1,527,052
Balance at the end of the year		**177,404,991**	133,927,572

11. INVESTMENT PROPERTIES

	Note	Land	Building	Equipment	Total
Cost					
Balance as of 31 December 2018		720,838,051	809,345,136	65,075,988	1,595,259,175
Additions		23,342,352	20,672,808	29,213,269	73,228,429
Balance as of 31 December 2019		**744,180,403**	**830,017,944**	**94,289,257**	**1,668,487,604**
Accumulated Depreciation					
Balance as of 31 December 2018		-	21,634,930	5,387,795	27,022,725
Charge for the year	11.1	-	15,895,578	6,084,420	21,979,998
Balance as of 31 December 2019		-	**37,530,508**	**11,472,215**	**49,002,723**
Net Book Value:					
as of 31 December 2019		**744,180,403**	**792,487,436**	**82,817,042**	**1,619,484,881**
as of 31 December 2018		720,838,051	787,710,206	59,688,193	1,568,236,450

This represents twelve properties; namely:

- Izdhar Center: represents a newly built commercial property located on Othman Bin Afan Road in the Izdihar District (within close proximity to Arabian Centre's Al Nakheel Mall). The property is located in Riyadh.
- Altamiz Center: represents a commercial property located on the intersection of Imam Road and Khalid Bin Waleed Street in the Qurtoba neighborhood. The property is located in Riyadh.
- Shati: represents a newly built commercial property located on Prince Mohammed Bin Fahad Road in the Al Shatea neighborhood. The property is located in Dammam.
- Forsan Plaza: represents a commercial property located on King Fahad Road between the Kingdom Center and the Faisaliah Tower. The property is located in Riyadh.
- Ascott Tahlia: represents a commercial property located on Tahlia street close to Bin Hamran, one of Jeddah's most prominent business and shopping centers. The property is located in Jeddah.
- Residence: represents commercial building and hospitality villas consisting of showrooms and office suites located within Hittin district. The property is located in Riyadh.
- Vivienda: represents a newly built hotel villas located on Musa Ibn Nussair Street in Mather Ash Shamali district, between Takhasusi road Prince Turki Ibn Abdulaziz Al Awwal road. The property is located in Riyadh.
- Saudi Electronic University: represents a university located Alrabi district. The property is located in Riyadh

  Aumniah Center: represents a commercial property located on Saud Al Faisal Road. The property is located in Jeddah.
- Burj Rafal: Mixed-use property located in King Fahad Road. The property is located in Riyadh
- Olaya Tower: Commercial property located in Olaya street. The property is located in Riyadh

11.1 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. During the year, the useful of building was changed form 30 years to 50 years. For change in estimate refer Note 25.

12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include Riyad Capital (being the Fund Manager), Riyad Bank (being the shareholder of Riyad 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	
		31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Due from Related parties					
Riyad Bank	Cash margin against letter of credit *	-	10,092,738	**3,381,216**	10,092,738
	Current Account	-	-	**44,066,009**	-
Rafal real estate development company	Operating expenses	-	9,810,074	-	9,725,751
Riyadh Capital	Services provided	-	101,015	-	105,015
	Investments account	-	-	**215,046**	
Hotel operator	Operating expenses	**608,545**	1,100,426	**1,292,656**	1,100,426
				48,954,927	21,023,930
Due to Related parties					
Riyad Capital	Fund management fee**	**18,604,840**	11,934,459	**21,262,090**	21,797,231
	Transaction fee**	**6,769,460**	9,825,960	**9,304,297**	4,422,707
Riyad Bank	Islamic financing	-	88,339,892	**685,076,029**	88,339,892
	Finance cost expense	**8,382,207**	-	-	-
	Bank Commissions	**1,165,231**	1,097,176	-	-
Hotel operator	Hotel management expenses	**3,945,799**	200,276	**1,119,978**	-
	Operating expenses	**1,676,095**	-	**45,949**	1,604,670
				716,808,343	116,164,500

* 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.

13. ISLAMIC FINANCING

The Fund has obtained a Tawaruq (Short term) and Islamic Murabaha (Long term) facility (Shari'ah compliant), whereby the outstanding balance as of 31 December 2019 is SR 169,000,556 (31 December 2018: SR 88,339,892) and SR 516,075,473 (31 December 2018: nil) respectively, from Riyad Bank through Riyad Capital. The Tawaruq facility carries a floating special commission rate of SIBOR+ 1% with maturity due during 2020. The Islamic Murabaha facility carries a floating special commission rate of SIBOR+ 1.6% with a maturity due during 2024.

14. UNEARNED RENTAL INCOME

	31 December 2019	31 December 2018
Balance at the beginning of the year	**8,915,303**	5,924,727
Rental income received during the year	**118,028,523**	87,483,109
Rental income earned during the year	**(107,972,268)**	(84,492,533)
Balance at the end of the year	**18,971,558**	8,915,303

15. ACCRUED EXPENSES

	Note	31 December 2019	31 December 2018
Fund management fee		**21,262,090**	21,797,231
Accrued expenses	**15.1**	**7,158,534**	11,985,360
Transaction fee		**9,304,297**	4,422,707
Rooms deposits in advance		**1,965,442**	3,591,626
Other		**4,953,719**	6,813,775
		44,644,082	48,610,699

15.1 The reserve for replacement had been created during the period from 2014 till 2018 as per the agreement with the operator, during the year the operator of the hotel was changed, hence, the previous agreement has been nullified, resulting in reversal of reserve for replacement in the current year. For reversal of replacement reserve refer Note 18.

16. INVESTMENTS CARRIED AT FVTPL

	31 December 2019	31 December 2018
Investments carried at FVTPL	**453,042,060**	-

16.1 Movement in investments carried at FVTPL

	31 December 2019	31 December 2018
Cost		
At the beginning of the year	-	-
Addition during the year	**452,996,509**	-
At the end of the year	**452,996,509**	-
Change in fair value:		
Change in fair value during the year	**45,551**	-
At the end of the year	**45,551**	-
Net Investments at the end of the year	**453,042,060**	-

16.2 This represents investments in equity instruments of the entities outside the Kingdom of Saudi Arabia.

17. INCOME FROM RENTAL AND OPERATION

	31 December 2019	31 December 2018
Rental income from investment properties	**65,235,711**	61,620,002
Income from Hotel operation	**107,972,268**	87,493,649
	173,207,979	149,113,651

18. GENERAL AND ADMINISTRATIVE EXPENSES

General, marketing and administrative expenses represents the following.

	Note	31 December 2019	31 December 2018
Hotel employee Costs		**12,603,797**	12,159,105
Repairs and maintenance		**4,061,448**	3,321,974
Utilities		**5,304,501**	5,245,396
Marketing expenses		**3,805,772**	2,464,366
Provision for doubtful debts		**1,831,904**	416,074
Bank Commissions		**1,165,231**	941,590
Legal and professional fees		**1,027,322**	175,992
Software and hardware maintenance		**953,293**	809,157
Telephone and internet		**871,374**	663,360
Training		**302,541**	556,125
Contract services		**-**	1,560,560
Recovered doubtful accounts		-	(523,122)
Reversal of capital replacement reserve	**15.1**	**(11,765,109)**	104,674
Other		**390,204**	1,634,487
		20,552,278	29,529,738

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

	Note	31 December 2019	31 December 2018
Cash and cash equivalents	7	44,400,183	31,379,148
Accounts receivable	8	63,036,883	35,858,684
Due from related parties		1,292,656	12,316,277

The management has conducted a review as required under IFRS 9 and based on an assessment, the management believes that there is no need for any significant impairment loss against the carrying value of cash and cash equivalents and due from related parties.

Liquidity risk

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

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

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

Operational risk

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

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

Geographical Concentration

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Fair value estimation

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

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

As of December 31, 2019, the Fund's financial instruments comprise cash and cash equivalent, Investment carried at fair value through profit and loss, account receivables, due from related parties, Islamic financing, due to related parties accrued management fee and accrued expenses. Except for Investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value. Investments carried at fair value through profit or loss are held in level 2 hierarchy of fair value. To determine the fair value of such investments, management used NAV of the funds which is based on observable market data. There were no transfers among the level 1, 2 and 3 during the year ended December 31, 2019

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

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared are based on the market value obtained. However, in accordance with International accounting standards 40 ("IAS 40"), development and investment properties are carried at cost less accumulated depreciation and impairment if any in these financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's books.

The fair value of the investment and development properties are determined by two selected appraisers each of the 12 properties i.e. **Barcode Company** and **ValuStrat Company**. As of 31 December, the valuation of the investment and development properties are as follows:

31 December 2019	**First Appraiser**	**Second Appraisers**	**Average**
Investment properties and property under development	**1,846,900,000**	**1,815,800,000**	**1,831,350,000**
Total	**1,846,900,000**	**1,815,800,000**	**1,831,350,000**

31 December 2018	First Appraiser	Second Appraisers	Average
Investment properties and property under development	1,777,249,452	1,756,600,000	1,766,924,726
Total	1,777,249,452	1,756,600,000	1,766,924,726

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

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

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:

	31 December 2019	31 December 2018
Estimated fair value of investment and development properties based on the average of the two valuers used	**1,831,350,000**	1,766,924,726
Less: the carrying value of		
investment property	**(1,619,484,881)**	(1,568,236,450)
Properties under development	**(177,404,991)**	(133,927,572)
Estimated fair value in excess of book value	**34,460,128**	64,760,704
Units in issue (numbers)	171,697,101	171,697,101
Additional value per unit based on fair value	**0.20**	0.38

Net asset attributable to unitholders:

	31 December 2019	31 December 2018
Net assets attributable to unitholders as per the financial statements before fair value adjustment	**1,623,564,872**	1,641,962,795
Estimated fair value in excess of book value	**34,460,128**	64,760,704
Net assets attributable to unitholders based on fair valuation of investment and properties under development	**1,658,025,000**	1,706,723,499

Net asset attributable to each unit:

	31 December 2019	31 December 2018
Book value per unit as per the financial statements before fair value adjustment	**9.46**	9.56
Additional value per unit based on fair value	**0.20**	0.38
Net assets attributable to each unit based on fair valuation	**9.66**	9.94

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

21. DIVIDENDS DISTRIBUTION

06 March 2019 and 20 August 2019, the Fund's Board approved to distribute dividends with regards to the period ended 31 December 2018 and 30 June 2019 amounting to SAR 0.28 per unit and SAR 0.24 per unit totaling SAR 48.075 million and SAR 41.207 million to its unitholders. The same was paid on 25 March 2019 and 3 September 2019 respectively.

22. CAPITAL COMMITMENTS AND CONTINGENCIES

As at 31 December 2019, the Fund has outstanding letters of credit of SR 3.381 million (31 December 2018: SR 10 million), being issued by Riyad Bank, against which a cash margin, being included in the consolidated statement of financial position under prepayment and other assets of the same amount is blocked thereby.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019
(Amounts in SAR)

23. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortised cost as of 31 December 2019 and 31 December 2018 except for the investments carried at FVTPL.

24. 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 31 December 2019 and 2018, its total operating income and expenses, and the results for the years then ended, by operating segment, are as follows:

	For the year ended 31 December 2019		
Comprehensive income	**Rent**	**Hotel managed by third party**	**Total**
Income from rentals	65,235,711	-	65,235,711
Dividend income	7,947,713	-	7,947,713
Unrealized gain on investments carried at FVTPL	45,551	-	45,551
Rooms revenue	-	67,866,673	67,866,673
Food and Beverages	-	36,774,682	36,774,682
Other operating departments	-	3,330,913	3,330,913
Total Income	**73,288,975**	**107,972,268**	**181,201,243**
Rooms cost	-	(12,855,150)	(12,855,150)
Food and Beverages cost	-	(19,568,643)	(19,568,643)
Other operating departments cost	-	(2,743,773)	(2,743,773)
Gross Profit	**73,288,975**	**72,804,702**	**146,033,677**
OPERATING EXPENSES			
Property management expenses	(3,024,712)	(4,127,570)	(7,152,282)
Fund management fee	(9,791,865)	(8,812,975)	(18,604,840)
Custodial expenses	(126,000)	-	(126,000)
General and administrative expenses	(7,081,856)	(20,614,740)	(27,696,596)
TOTAL OPERATING EXPENSES	**(20,024,433)**	**(33,555,285)**	**(53,579,718)**
Other income	-	410,610	410,610
Funds from Operations	**53,264,542**	**39,660,027**	**92,864,569**
Investment properties depreciation	(9,203,385)	(12,776,613)	(21,979,998)
Net income for the year	**44,001,157**	**26,883.414**	**70,884,571**

24. OPERATING SEGMENTS (CONTINUED)

Comprehensive income	For the year ended 31 December 2018		
	Rent	Hotel managed by third party	Total
Income from rentals	61,602,004	-	61,602,004
Dividend income	-	-	-
Unrealized gain on investments carried at FVTPL	-	-	-
Rooms revenue	-	47,766,576	47,766,576
Food and Beverages	-	36,558,848	36,558,848
Other operating departments	-	3,186,223	3,186,223
Total Income	61,602,004	87,511,647	149,113,651
Rooms cost	-	(9,357,944)	(9,357,944)
Food and Beverages cost	-	(19,547,215)	(19,547,215)
Other operating departments cost	-	(212,508)	(212,508)
Gross Profit	61,602,004	58,393,980	119,995,984
OPERATING EXPENSES			
Property management expenses	(1,860,395)	-	(1,860,395)
Fund management fee	(11,934,459)	-	(11,934,459)
Custodial expenses	(100,000)	-	(100,000)
General and administrative expenses	(3,572,827))	(26,101,572)	(29,674,399)
TOTAL OPERATING EXPENSES	(17,467,681)	(26,101,572)	(43,569,253)
Other income	230,988	551,719	782,707
Funds from Operations	44,365,311	32,844,127	77,209,438
Investment properties depreciation	(13,028,710)	-	(13,028,710)
Net income for the year	31,336,601	32,844,127	64,180,728

Financial position	**As at 31 December 2019**		
	Rent	**Hotel managed by third party**	**Total**
ASSETS			
Cash and cash equivalents	24,624,549	19,966,634	44,591,183
Account receivables, net	36,532,037	22,958,345	59,490,382
Inventory	-	1,187,914	1,187,914
Prepayment and other receivables	26,227,701	3,048,408	29,276,109
Due from related parties	385,795	906,861	1,292,656
Properties under development	177,404,991	-	177,404,991
Investments carried at fair value through profit or loss (FVTPL)	453,042,060	-	453,042,060
Investment properties	852,346,920	767,137,961	1,619,484,881
TOTAL ASSETS	**1,570,564,053**	**815,206,123**	**2,385,770,176**

24. OPERATING SEGMENTS (CONTINUED)

LIABILITIES			
Islamic financing	685,076,029	-	685,076,029
Accounts payable	3,271,061	7,344,039	10,615,100
Unearned rental income	18,971,558	-	18,971,558
Accrued expenses	34,662,347	9,981,735	44,644,082
Due to related parties	-	1,165,927	1,165,927
Employees' post-employment benefits	-	1,732,608	1,732,608
TOTAL LIABILITIES	**741,980,995**	**20,224,309**	**762,205,304**

Financial position	As at 31 December 2018		
	Rent	Hotel managed by third party	Total
ASSETS			
Cash and cash equivalents	9,842,532	21,655,116	31,497,648
Account receivables, net	20,001,571	14,142,516	34,144,087
Inventory	-	1,236,128	1,236,128
Prepayment and other receivables	14,662,914	2,669,256	17,332,170
Due from related parties	10,053,219	2,263,058	12,316,277
Properties under development	133,927,572	-	133,927,572
Investments carried at fair value through profit or loss (FVTPL)	-	-	-
Investment properties	1,568,236,450	-	1,568,236,450
TOTAL ASSETS	1,756,724,258	41,966,074	1,798,690,332
LIABILITIES			
Islamic financing	88,339,892	-	88,339,892
Accounts payable	-	5,970,841	5,970,841
Unearned rental income	8,915,303	-	8,915,303
Accrued expenses	26,220,485	22,390,214	48,610,699
Due to related parties	-	2,989,755	2,989,755
Employees' post-employment benefits	-	1,901,047	1,901,047
TOTAL LIABILITIES	123,475,680	33,251,857	156,727,537

25. CHANGE IN ACCOUNTING ESTIMATE

During 2019, the Fund conducted a review of the useful life of building. Based on useful life of 50 years, the net effect of these changes on actual and expected depreciation expense, was is follow

Impact of change in estimate	**For the year ended 31 December2019**	**For the year ended 31 December**				**Until the end of useful life**
		2020	**2021**	**2022**	**2023**	
Decrease / (increase) in depreciation expense	10,915,260	11,027,573	11,027,573	11,027,573	11,027,573	265,020,833

26. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

27. CHANGES IN FUNDS TERMS AND CONDITIONS

There has been no significant change in the terms and conditions of the Fund as at year ended 31 December 2019.

28. EVENTS AFTER THE REPORTING DATE

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Fund considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the fund.

29. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform to the current year presentation, however the impact of such reclassifications was not material to the overall presentation of the consolidated financial statements.

30. LAST VALUATION DAY

The last valuation day of the year was 31 December 2019.

31. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Fund's Board of Directors on 30 March 2020 (Corresponding to 6 Sha'ban 1441H).

Corporate Head office:

Riyad Capital
Granada Business Park 2414
Al Shohda Dist - Unit No 21
PO Box 3712 Riyadh 12331
Unified Number: 920012299

Terms and Conditions and Financial Statements of the fund can be downloaded from:

www.riyadcapital.com

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riyad capital